

The May Department Stores Company
Annual Report 1993

MAY

The May Department Stores Company is the largest department store retailer in the country, operating quality regional department store companies nationwide. Our department store companies and their headquarters are: Lord & Taylor, New York City; Foley's, Houston; Robinsons-May, Los Angeles; Hecht's, Washington, D.C.; Kaufmann's, Pittsburgh; Filene's, Boston; Famous-Barr, St. Louis; and Meier & Frank, Portland, Ore.

Each department store company holds a leading position in its region and together serve markets totaling 128 million people. We operated 301 department stores at fiscal year-end in 29 states and the District of Columbia.

May also operates Payless ShoeSource, the nation's largest chain of self-service family shoe stores. Payless ShoeSource, headquartered in Topeka, sold 174 million pairs of shoes in 1993 – one out of every six pairs sold in the United States. We operated 3,779 Payless ShoeSource stores at fiscal 1993 year-end in 49 states, the District of Columbia, Puerto Rico and the Virgin Islands.

We employ approximately 113,000 associates in our department stores, shoe stores, eight overseas offices and the St. Louis corporate headquarters. A list of our operating companies is on page 34 of this report.

The May Department Stores Company Financial Highlights

(millions, except per share)

	Fiscal 1993	Fiscal 1992	Increase
Net retail sales	\$ 11,020	\$10,245	7.6%
Net earnings	\$ 711	\$ 603	17.9%
Earnings per share	\$ 2.65	\$ 2.26	17.3%
Annual dividend rate per common share at year-end	\$.92	\$.83	10.8%
Return on equity	22.1%	21.5%	
Return on net assets	19.6%	16.7%	

Letter to Shareowners

Fiscal 1993 was another year of strong financial performance for the company. We achieved record sales and earnings per share for the 19th consecutive year. Sales increased 7.6%, 4.6% on a comparable store basis, to \$11.0 billion. Earnings per share increased 17.3% to \$2.65, and net earnings were \$711 million compared to \$603 million.

Performance for the fourth quarter of 1993 was also a record. Sales were \$3.6 billion, a 7.6% increase, 4.2% on a comparable store basis. Earnings per share were \$1.37, up 14.2%, and net earnings were \$365 million compared to \$319 million.

May achieved a 22.1% return on shareowners' equity, a top quartile performance in the industry. Cash flow from operations topped \$1 billion for the first time, 12% over the prior year. The strength of the company's balance sheet is a significant competitive asset for increased top line sales growth by acquisition of individual stores or groups of stores.

Our annual dividend rate was increased 13% by the Board of Directors in March 1994, a reflection of the company's continued strong financial performance and our positive outlook. The dividend increase to \$1.04 per share effective June 15, 1994, represents our 83rd consecutive year of dividend payments, uninterrupted since May was listed on the New York Stock Exchange in 1911. We have increased dividends 20 times in the last 19 years.

1993 Highlights. We completed the consolidation of our department store divisions. With the consolidation of four department store divisions in 1993 we have streamlined to eight large regional department store companies from 14 in the last two years. Our performance benefited from the strength of these larger divisions, lower expenses associated with the consolidations, and the related closings of low-productivity stores. We completed the strategic move of May Merchandising Company, including May Department Stores International, from



(above)
Lorré & Taylor
Marshall Holsberg
Chairman and
Chief Executive Officer
Ronald F. Tanler
President

(right)
Foley's
Raymond L. Wilansky
President and
Chief Executive Officer
Donald R. Andrus
Chairman





“We are making faster merchandising decisions, responding more quickly to merchandise trends, and operating with more agility.”



New York to our corporate headquarters in St. Louis. With fewer companies and a single corporate center we are making faster merchandising decisions, responding more quickly to merchandise trends, and operating with more agility.

We opened 13 new department stores and 216 Payless ShoeSource stores. We remodeled 25 department stores, expanded five of these stores, and expanded 219 Payless stores to include Payless Kids. We are focusing on stores where we can compete with a commanding presence.

We have streamlined how we buy, leveraging our steering committees, benefiting from our new consolidated corporate office, and providing a better buying calendar to respond faster and more purposefully to important merchandising trends and ideas. Our overseas offices, already a tremendous asset, are becoming more effective, as well.

We continue to strengthen our position with high-quality leadership suppliers, while continuing to be an aggressive retailer of strong, broad-based, nationally advertised lines. Our regional department store companies now are consistent in terms of vendor structure, merchandise assortment, and position in their respective markets. We have broadened our assortments of merchandise with more suppliers, styles, colors, and sizes, giving our customers more choices and selections. Our continued expansion of automatic replenishment of merchandise is helping us manage a broader and more diverse set of styles.





We have substantially upgraded the quality look and level of our stores to keep us competitively positioned and to provide a key advantage in many markets. For example, we have invested in better lighting, marble aisles, more showcases, specialized fixtures, larger fitting rooms, and distinctive architectural detailing. Also, we have improved many visual elements, such as interior signing and collateral for special events.

Power Center Merchandising. We have organized our efforts around six major merchandising categories which we call power centers: cosmetics, shoes and accessories, women's apparel, children's, men's, and home. We have evolved into power centers by broadening our assortments and increasing the productivity of our stores, while narrowing the categories where we compete and closing unproductive stores.

- *Cosmetics* – May is the largest retailer of prestige cosmetics in the country, with annual sales in excess of \$1 billion. We are the largest retailer of Estée Lauder, Clinique, and Lancôme, and among the largest with the high-prestige lines of Chanel, Prescriptives, and Clarins. We believe we are also the fastest growing. Our stores take the lead in most fragrance launches, including such 1993 successes as Wings by Giorgio, Vivid by Liz Claiborne, Gio by Giorgio Armani, Escape by Calvin Klein, and Polo Sport by Ralph Lauren.

- *Shoes and Accessories* – We offer customers more than 60 vendors in women's shoes: nearly 400 styles and over 40,000 pairs in the stockroom. We are continuing to expand size ranges and are offering more narrow and wide widths. Our assortments in handbags and small leather goods are meaningful, and we have added more showcases to increase quality. We have a business well over \$500 million in jewelry, including costume, bridge, fine, and watches. And we are getting more of our hosiery inventory on the selling floor with fixturing that in our new stores holds more than 18,000 pairs.





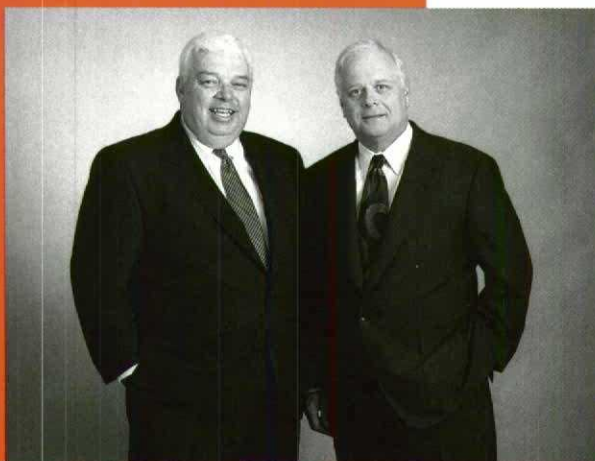
“Our associates take great pride in treating the customer right.”

- *Women's Apparel* – In women's sportswear, we offer the largest selection of the best known vendors, and some very powerful import programs. Most of the same vendors are represented in our very successful women's and petites' departments. We take a very strong position in the high-growth misses and junior jeans business. It is not unusual for us to have 5,000 pairs of jeans on the selling floor. In intimate apparel, we are committed to offering compelling assortments of the name brand quality vendors that our customers want. Our bra departments carry as many as 450 styles, 18,000 units, and over 30 sizes.

- *Children's* – We have installed better, high density fixtures in our children's departments. To make our kids' areas fun, all of our stores have television monitors that feature popular videos, such as Barney.

- *Men's* – Our men's departments are aggressively merchandising designer collections, while remaining totally committed to businesses such as sport shirts, where we offer a lot of variety, and pants and jeans, where we carry more than 15,000 pairs on the selling floor. In men's clothing, we are a formidable competitor with many stores having over 2,000 suits and 1,000 sport coats.

- *Home* – We are emphasizing home furnishings, and increasing our space commitment in many stores. A significant portion of recent growth has come from the home area. We offer the do-it-yourself home decorator a very compelling set of choices with quality vendors and have installed more than 150 shops for the coordinated bed and bath.



(above)

Robinsons-May
David P. Mullen
President and
Chief Executive Officer

Kenneth L. Wilkerson
Chairman

(right)

Hecht's
Irwin Zazulia
President and
Chief Executive Officer

Thomas D. Fingleton
Chairman



Our towel areas typically carry 10,000 units in over 70 colors, with an additional 50 print, jacquard and embellished patterns. Our china assortment is compelling, with an average store showing 200 patterns. The strength of our assortments is evidenced by the success of our Bridal Registry, where we register over 100,000 brides a year. We offer broad assortments in small electrics and stay on top of the important trends, which in 1993 included espresso, bread making, hand-held mixers, and personal care items.

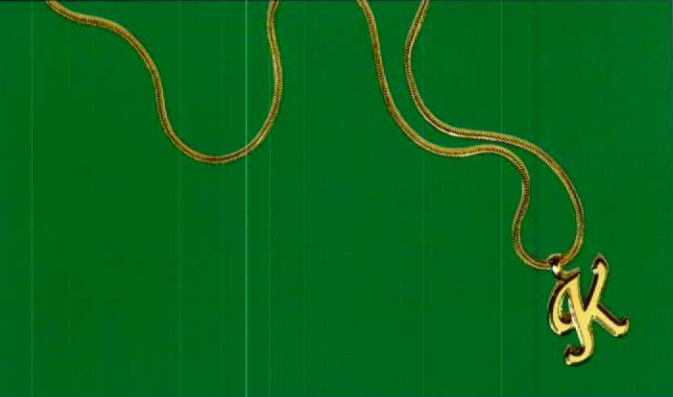
Treating the Customer Right. Our associates take great pride in treating the customer right. Building from our very successful Friendliness program, we have put in place a number of recognition and motivational programs that have improved sales productivity. These include our President's Club that recognizes associates' accomplishments both in providing service and in reaching certain sales targets, and our Selling Stars program that acknowledges associates who are top sales performers in their selling zones. More than 17,500 of our sales associates have earned their Diamond Stars, the highest customer service award level; 7,000 are members of the President's Club; and 7,000 Selling Stars are selected monthly. On pages 10 and 11, we are pleased to recognize some of our many associates who are our selling and customer service stars, and the 1993 winners of CEO Cups.

Benefits from Technology. We continue to significantly upgrade our technology and systems to provide better service and to operate our stores more efficiently. We are making major strides in improving our direct interactive telecommunication network – the corporate center communicating directly with regional store companies, and the store companies with individual stores. Automatic replenishment of merchandise – a partnership program with

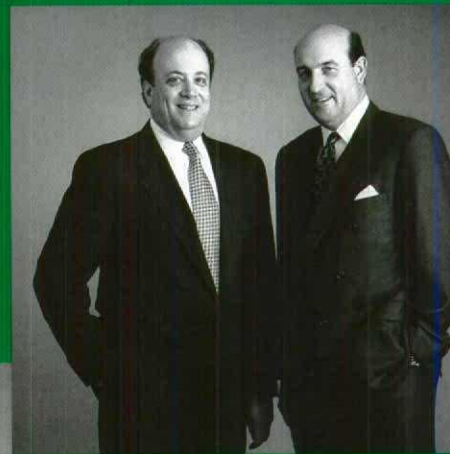


(above)

Kaufmann's
William T. Tobin
President and
Chief Executive Officer
Clarence O. Reynolds
Chairman



“We continue to significantly upgrade our technology and systems to provide better service and to operate our stores more efficiently.”



(above)

Filene's
Eugene S. Kahn
President and
Chief Executive Officer
Joseph M. Melvin
Chairman

(left)

Famous-Barr
Thomas J. Hogan
President and
Chief Executive Officer
James A. Hageman
Chairman



(right)

Meier & Frank
Judith K. Hofer
President and
Chief Executive Officer

J. William Blanford
Chairman

(opposite page)

Payless ShoeSource
Dale W. Hilpert
Chairman and
Chief Executive Officer

Maxine Clark
President



hundreds of our vendors – reached sales of \$1.9 billion in 1993, and is growing. We continue to enhance our information systems, allowing us to merchandise more precisely, by vendor by store, and generally providing better information to our merchandising organization.

Five-Year Expansion Plan. Our 1994 through 1998 expansion plan is aggressive. We plan to invest \$3.2 billion for 110 new department stores, 1,200 new Payless ShoeSource stores, and 1,000 Payless Kids stores. In the same five-year period, we will expand 50 stores and remodel another 50. For 1994, 16 new department stores, 240 Payless ShoeSource stores, and 200 Payless Kids stores are planned.

Foundation and Community Activities. May and its associates together contributed \$18 million to more than 2,000 nonprofit organizations in 1993. The May Department Stores Company Foundation contributed \$13 million, a record level, and associates added more than \$5 million. The organizations we support reflect the needs and diversity of the communities we serve. Flooding in the midwest and the earthquake in California required special contributions, in response to which we gave more than \$1 million to relief agencies such as the American Red Cross and the Salvation Army.

Management. Thomas A. Hays, 61, was named to the newly created position of deputy chairman and Jerome T. Loeb, 53, was promoted to succeed him as president of May. Mr. Loeb is a career executive with 30 years experience in May. Both Mr. Hays and Mr. Loeb have contributed significantly to May's success.

We are very pleased that Michael R. Quinlan, chairman and chief executive officer of McDonald's Corporation, joined the Board of Directors. As chief executive of the world's largest food service retailer and a leader in customer service, Mr. Quinlan's experience will be of significant benefit to the company.



“Our combination of outstanding people, power center merchandising, buying better and being close to our markets with powerful franchises in quality shopping centers makes our business equation successful.”

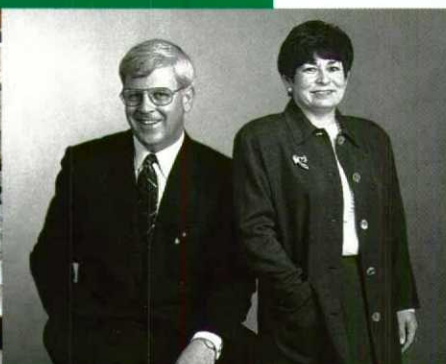
Kenneth Kolker retired after 17 years of service as chief executive officer of May Merchandising. Mr. Kolker had an immeasurable influence on the success of the company, and we are fortunate that he continues as senior advisor to May.

In addition to having quality companies with strong market share, May is blessed with a talented and committed group of associates. We are pleased to present the presidents and chairmen of our divisions throughout this section.

Opportunities Ahead. We are confident in our ability to meet our customers' requirements for value, quality, fashion, and service. Our combination of outstanding people, power center merchandising, buying better and being close to our markets with powerful franchises in quality shopping centers makes our business equation successful. We are committed to growth and to increasing shareowner value.

We greatly value the continuing support of our shareowners, customers, directors, and suppliers, and to all our associates we express our deepest appreciation and gratitude for their efforts in making 1993 a record year and another year of significant progress toward our mission of Excellence in Retailing.

David C. Farrell
Chairman and Chief Executive Officer
March 28, 1994



(right)

May Merchandising Company

Anthony J. Torcasio
President and
Chief Executive Officer

John L. Dunham
Chairman

Martin Bloom
President
May Department Stores
International



Treating The Customer Right

(right)

Rose Marie Mascari
Kaufmann's

Diane H. Ballard
Foley's

Richard L. Battram
Vice Chairman

Katherine A. Sealy
Filene's



(above)

G. Jeannie Webb
Famous-Barr

Thomas A. Hays
Deputy Chairman

Jeanne K. Brennan
Meier & Frank

Noi Johnson
Robinsons-May



(below)

Brenda M. Garcia
Meier & Frank

Mark P. J. Wong
Meier & Frank



(above)

Catherine K. Ribeiro
Lord & Taylor

Anthony J. Toreasio
President and
Chief Executive Officer,
May Merchandising Company

Kathy J. Gibson
Hecht's

Ted Hodges
Meier & Frank

Sandra K. Thompson
Meier & Frank

Richard K. Taft
Meier & Frank

Ardath L. Flomer
Meier & Frank

Gabriella Powell
Meier & Frank



(left)

Michelle L. Graham
Famous-Barr

Rose M. Regan
Filene's

Margarita Mishiyeve
Filene's

Gertrude Zucker
Lord & Taylor





(left)
 Richard L. Gibbons
 Foley's
 Nancy Hogstrom
 Robinsons-May
 Jerome T. Loeb
 President and
 Chief Financial Officer
 Sadie J. Billings
 Foley's
 Agnes M. Ingram
 Foley's

(right)
 David C. Farrell
 Chairman and
 Chief Executive Officer
 Thomas J. Hogan
 President and
 Chief Executive Officer,
 Famous-Barr
 James A. Hageman
 Chairman,
 Famous-Barr



(below)
 Patricia M. Jolin
 Hecht's
 Elizabeth Anne Day
 Hecht's
 Pamela L. Mitchell
 Meier & Frank
 Zorka Rybak
 Meier & Frank
 Felicia C. Elmore
 Meier & Frank



Our associates' commitment to treating the customer right has made our stores better places to shop. From our selling floors, to our distribution centers and including all of our sales supporting areas, our associates have again stepped up the standards for customer service. We gratefully acknowledge their efforts. Shown on page 10 are Diamond Star associates from each of our department store companies, representing the more than 17,500 associates who have reached this highest customer service award level. Four exceptional President's Club achievers are shown on this page, representing the more than 7,000 associates who are leaders in both sales and customer service.

We also recognize the winners of CEO Cups. Famous-Barr earned the CEO Cup for the best overall customer service in 1993. Meier & Frank's Clackamas Town Center store in Portland, Ore., was the largest-volume store receiving an individual CEO Cup. Other photos honor individuals and groups of associates for their personal efforts that created special shopping experiences for our customers.

The following stores received individual CEO Cups for 1993:

Lord & Taylor: Westfield, N.J.; Burlington Mall in Boston; St. Louis, Mo.; and NorthPark Center in Dallas
 Foley's: Hulen Mall in Fort Worth; Deerbrook Mall in Houston; Albuquerque, N. Mex.; Tyler, Texas; and Tucson Mall
 Robinsons-May: Bakersfield and Santa Maria, Calif.
 Hecht's: Hampton Roads and Lynchburg, Va.; Salisbury, Md.; and Fayetteville, N.C.
 Kaufmann's: Walden Galleria and Eastern Hills Mall in Buffalo; Stow-Kent Plaza in Akron and Canton Centre in Canton, Ohio
 Filene's: Salem, N.H., and Portland, Maine
 Famous-Barr: Mid Rivers Mall in St. Louis; Carbondale, Ill.; and Southtown Mall in Fort Wayne, Ind.
 Meier & Frank: Clackamas Town Center in Portland, Ore.

Management's Discussion and Analysis

We are pleased to have achieved our 19th consecutive year of record sales and earnings per share from continuing operations. During 1993, we completed four department store company consolidations and the move of May Merchandising Company to our St. Louis corporate headquarters. These key strategic steps and our continued execution of our merchandising and customer service strategies were key factors in our strong financial performance. Our five-year compound growth rate for earnings per share from continuing operations was 12% – among the best in the retail industry.

Sales in 1993 were \$11.0 billion, an increase of 7.6% over 1992 sales of \$10.2 billion. The sales increase over last year reflects the benefit of new store openings and an increase in store-for-store sales of 4.6%. Store-for-store sales increases for the first through fourth quarters in 1993 were 2.8%, 5.5%, 5.9% and 4.2%, respectively.

We achieved \$2.65 in earnings per share in 1993, a 17.3% increase over last year's \$2.26. Net earnings totaled \$711 million compared to \$603 million last year. Return on revenues increased to 6.2% in 1993 from 5.4% in 1992. Return on equity was 22.1% in 1993 compared to 21.5% in 1992, and return on net assets was 19.6% in 1993 compared to 16.7% in 1992.

During the first quarter of 1993, the company completed the consolidation of eight department store companies into four: May Company, California, and Robinson's, both based in Los Angeles, into Robinsons-May; May Company, Ohio, into Pittsburgh-based Kaufmann's; Hartford-based G. Fox into Filene's, based in Boston; and Denver-based May D&F into Foley's, based in Houston. Also during 1993, the company completed the move of New York-based May Merchandising Company to St. Louis to form a single corporate center at the St. Louis corporate headquarters. In addition, May consolidated four department store data centers into two, now operating in St. Louis and Lorain, Ohio, outside of Cleveland. With a single corporate center and fewer department store companies, our ability to communicate, coordinate and react has increased considerably.

We opened 13 department stores during 1993, adding 1.9 million square feet of retail space. These openings were Lord & Taylor in Skokie, Ill., North Atlanta, Ga., and Boston, Mass.; Robinsons-May in West Covina and Glendale, Calif., and Phoenix, Ariz.; Hecht's in Charlotte, N.C., Fredericksburg and Richmond, Va., and Frederick, Md.; Kaufmann's in Syracuse, N.Y.; and Filene's in Boston, Mass., and Nashua, N.H. In addition, we remodeled 25 department stores in 1993, totaling 2.3 million retail square feet, and expanded five of these stores. At fiscal year-end, May operated 301 department stores in 29 states and the District of Columbia.

Five department stores were closed during the year, involving 800,000 retail square feet. Over the past six years, May has closed 93 low-productivity department stores.

The January 17, 1994, California earthquake damaged a number of Robinsons-May and Payless ShoeSource stores. Robinsons-May stores in five locations were temporarily closed as of January 29, 1994. We will reopen stores in the same locations as quickly as possible.

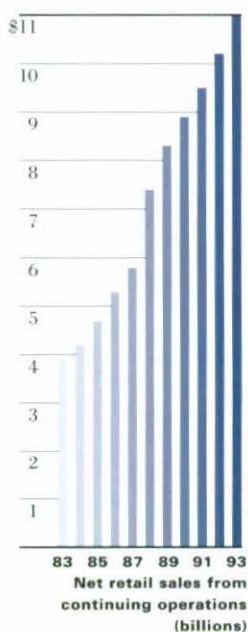
In 1993, Payless ShoeSource opened 216 net new stores, adding 600,000 square feet of retail space, continuing its new store pace of the past 10 years. During the year, Payless ShoeSource opened its first stores in the Virgin Islands and continued the Payless Kids expansion program by adding 219 stores adjacent to existing Payless ShoeSource stores, expanding those locations by a total of 225,000 square feet. The largest area of growth was in the Northeast with 120 net new stores and 46 Payless Kids expansion stores. At year-end, Payless ShoeSource operated 3,779 stores in 49 states, the District of Columbia, Puerto Rico and the Virgin Islands.

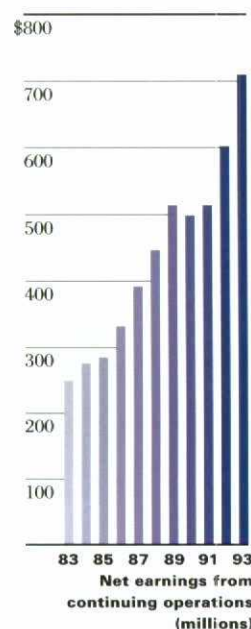
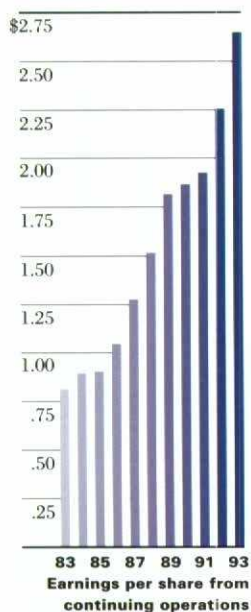
Our expansion program for 1994 includes 16 new department stores, adding 2.2 million square feet of retail space. The company plans to remodel 32 department stores in 1994, totaling 2.9 million square feet of retail space, and to expand 15 of these stores by a total of 500,000 square feet.

Payless ShoeSource will add 240 net new stores in 1994 with more than 750,000 square feet of retail space. In addition, Payless ShoeSource will add 200 Payless Kids expansion stores adjacent to existing stores, bringing the total Payless Kids expansion stores to 520. The largest area of growth will be in the Northeast with approximately 115 net new family shoe stores and 50 Payless Kids expansion stores.

May's 1994-1998 expansion plan will add 110 new department stores, totaling 17.9 million retail square feet. During this five-year period, May will invest \$1.9 billion for new stores and will spend an additional \$680 million to remodel existing stores.

The expansion plan for Payless ShoeSource during the 1994-1998 period involves a capital investment, including the present value of operating leases, of \$1.3 billion to add approximately 1,200 net new family shoe stores with 3.9 million square feet of retail space and 1,000 adjacent Payless Kids expansion stores, adding 1.2 million square feet to existing stores. An additional \$110 million will be invested to remodel existing stores.





REVIEW OF OPERATIONS

Net earnings totaled \$711 million in 1993 compared to \$603 million in 1992 and \$515 million in 1991. Total company return on revenues was 6.2% in 1993 compared to 5.4% in 1992 and 4.9% in 1991. Fully diluted earnings per share reached \$2.65 in 1993 compared to \$2.26 in 1992 and \$1.93 in 1991.

During 1992, the company recorded pretax charges of \$485 million, \$298 million after tax, for special and nonrecurring items. Also during 1992, the company recorded a \$298 million pretax and after tax nonrecurring gain from the distribution of the May Centers Associates (MCA) partnership assets. See Special and Nonrecurring Items on page 14. On a full-year basis, the special and nonrecurring items had no impact on net earnings or earnings per share.

Results for the past three years were as follows:

	1993		1992		1991	
	(dollars in millions, except per share)	% of Revenues	(dollars in millions, except per share)	% of Revenues	(dollars in millions, except per share)	% of Revenues
Net Retail Sales	\$11,020		\$10,245		\$ 9,462	
Revenues	\$11,529	100.0%	\$11,150	100.0%	\$10,615	100.0%
Cost of sales	7,910	68.6	7,691	69.0	7,339	69.1
Selling, general and administrative expenses	2,196	19.1	2,202	19.7	2,164	20.4
Interest expense, net	245	2.1	279	2.5	316	3.0
Special and nonrecurring items	—	—	187	n/a	—	—
Earnings before income taxes	1,178	10.2	791	8.8*	796	7.5
Provision for income taxes**	467	39.6	188	38.3*	281	35.3
Net earnings	\$ 711	6.2%	\$ 603	5.4%	\$ 515	4.9%
Fully diluted earnings per share	\$ 2.65		\$ 2.26		\$ 1.93	

* For comparability, shown before special and nonrecurring items.

** Percent of revenues column represents effective income tax rate.

Net Retail Sales. Net retail sales (see page 18 for definition) increases by business segment for 1993 and 1992 were as follows:

	1993 vs. 1992		1992 vs. 1991		Five-Year Compound Growth Rate
	Total	Store-for-Store	Total	Store-for-Store	
Department stores	7.1%	5.2%	6.9%	4.5%	7.8%
Payless ShoeSource	10.0	1.7	15.5	2.8	11.7
Total	7.6%	4.6%	8.3%	4.2%	8.4%

Total sales increases for 1993 reflect the opening of 13 new department stores and 216 net new Payless ShoeSource stores and a 4.6% store-for-store increase. Total sales increases for 1992 include the results of six new department stores and 268 net new Payless ShoeSource stores.

Sales per square foot by segment were as follows:

	1993	1992	1991	1988	1993 vs. 1992 Increase	Five-Year Compound Growth Rate
Department stores	\$191	\$179	\$171	\$158	6.5%	3.8%
Payless ShoeSource	165	161	152	137	2.4	3.7
Total	\$186	\$176	\$168	\$155	5.6%	3.7%

Sales include leased and licensed department sales of \$313, \$349 and \$356 million in 1993, 1992 and 1991, respectively. Revenues include finance charge revenues of \$330, \$329 and \$351 million in 1993, 1992 and 1991, respectively. Finance charge revenues in 1993 were similar to 1992, as accounts receivable did not increase proportionately with sales due to a greater acceptance of third party credit cards. The decrease in 1992 finance charge revenues compared to 1991 was due to faster repayment by customers resulting in lower average accounts receivable balances subject to finance charge and an expanded acceptance of third party credit cards.

Cost of Sales. Cost of sales includes cost of merchandise sold and buying and occupancy costs. Cost of sales was \$7.91 billion in 1993 compared to \$7.69 billion in 1992, a 2.8% increase. The overall increase of 2.8% was due to a 3.4% increase in revenues, offset by a lower cost of sales rate. As a percent of revenues, cost of sales was 68.6% in 1993 compared to 69.0% in 1992. The 1993 percent decreased from 1992 due to lower buying and occupancy expenses resulting from the recent store company consolidations, partially offset by a small decline in merchandise gross margin. LIFO was a charge of \$7 million in 1993 compared to \$10 million in 1992.

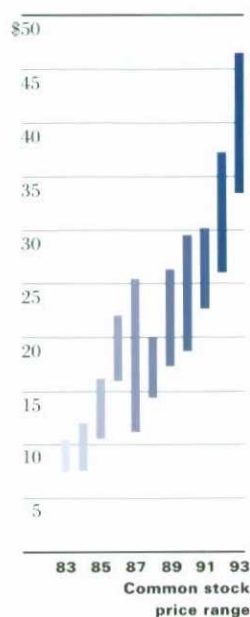
Cost of sales was \$7.69 billion in 1992 compared to \$7.34 billion in 1991, a 4.8% increase. The overall increase of 4.8% resulted from a 5.0% increase in revenues. As a percent of revenues, cost of sales was 69.0% in 1992 compared to 69.1% in 1991. The decreased 1992 percent compared to 1991 resulted from a lower LIFO charge (\$10 million in 1992 compared to \$26 million in 1991). A small improvement in the buying expense rate was offset by a small decline in merchandise gross margin.

The impact of LIFO on cost of sales, as a percent of revenues, is shown below:

	1993	1992	1991
Cost of sales	68.6%	69.0%	69.1%
LIFO charge	0.1	0.1	0.2
Cost of sales before LIFO	68.5%	68.9%	68.9%

Selling, General and Administrative Expenses.

Selling, general and administrative expenses were \$2.20 billion in 1993 compared to \$2.20 billion in 1992, a 0.3% decrease. Selling, general and administrative expense increases resulting from increased revenues were more than offset by expense savings achieved through recent store company consolidations and continued focus on expense control. As a percent of revenues, selling, general and administrative expenses were 19.1% in 1993 compared to 19.7% in 1992. The California



earthquake did not impact 1993 earnings as the losses were covered by insurance.

Selling, general and administrative expenses were \$2.20 billion in 1992 compared to \$2.16 billion in 1991, a 1.8% increase. The overall increase was due to a 5.0% increase in revenues and less equity earnings from the MCA partnership, partially offset by savings achieved through store company consolidations, reduced accounts receivable bad debt expense and generally improved operating expenses. As a percent of revenues, selling, general and administrative expenses were 19.7% in 1992 compared to 20.4% in 1991. Adjusting 1992 and 1991 as if the MCA partnership had been dissolved on the first day of fiscal year 1991, selling, general and administrative expenses, as a percent of revenues, would have been 19.8% in 1992 and 20.6% in 1991.

Included in selling, general and administrative expenses were advertising and sales promotion costs of \$404, \$400 and \$389 million in 1993, 1992 and 1991, respectively.

Special and Nonrecurring Items. During the 1992 third quarter, the company recorded pretax charges of \$485 million, \$298 million after tax, for special and nonrecurring items. The pretax charges consisted of: \$240 million for four department store company consolidations (primarily costs for severance, associate relocations, inventory liquidations and adjustments, and one-time transition expenses); \$125 million for planned closings of low-productivity stores and other real estate-related charges including adjustments to reflect expected values of a number of properties planned for disposition; \$60 million for the costs associated with achieving various operating efficiencies, including the May Merchandising Company headquarters relocation to St. Louis and the data center combinations (primarily costs for associate relocations and excess space carrying costs); \$40 million for the cost associated with retiring high interest rate debt; and \$20 million for a special contribution to The May Department Stores Company Foundation. The cost to retire the debt was not reflected as an extraordinary item as it was not material to total company earnings or the earnings trend of the company.

The reserve balance for the \$485 million special and nonrecurring charges was \$330 million at January 30, 1993, and \$100 million at January 29, 1994. In 1993 there were no additional provisions for the special and nonrecurring charges and there were no material adjustments to the individual components. The cash component of the \$485 million special and nonrecurring charges is estimated to be \$325 million.

During the 1992 second quarter, the company recorded a \$298 million pretax and after tax nonrecurring gain from the distribution of the MCA partnership assets on May 18, 1992. See May Centers Associates on page 27.

The 1992 special and nonrecurring charges and nonrecurring gain are reflected as special and nonrecurring items on a separate line in the consolidated statement of earnings. The 1992 special and nonrecurring items had no impact on full-year net earnings or earnings per share.

During 1991, the company provided pretax charges of \$36 million for two department store company consolidations and \$26 million for costs associated with closing 20 low-productivity stores. Also during 1991, the company recorded pretax gains of \$35 million from real estate transactions and \$25 million from the sale of its equity interest in The Caldor Corporation. Due to the insignificance of the \$2 million net impact of these items on pretax earnings, the 1991 pretax charges and pretax gains were included in selling, general and administrative expenses.

Interest Expense. Interest expense components were:

(dollars in millions)	1993	1992	1991
Interest expense	\$263	\$306	\$354
Interest income	(8)	(20)	(24)
Capitalized interest	(10)	(7)	(14)
Interest expense, net	\$245	\$279	\$316
Percent of revenues	2.1%	2.5%	3.0%

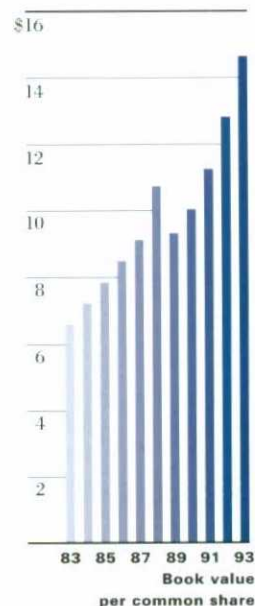
The 1993 and 1992 decreases in net interest expense were the result of the elimination of the May Centers Associates Corporation (MCAC) sale/leaseback debt upon dissolution of the MCA partnership on May 18, 1992, and other net reductions of debt resulting primarily from each year's cash flows. Adjusting 1992 and 1991 as if the MCA partnership had been dissolved on the first day of fiscal year 1991, net interest expense, as a percent of revenues, would have been 2.4% in 1992 and 2.5% in 1991. See May Centers Associates on page 27.

Income Taxes. The effective income tax rates were:

	1993	1992	1991
As reported	39.6%	23.7%	35.3%
Excluding impact of special and nonrecurring items and MCA	39.6%	38.5%	36.2%

The 1993 effective income tax rate of 39.6% increased compared to 1992 excluding special and nonrecurring items and MCA equity earnings due to the 1% increase in the tax rate resulting from the 1993 tax law change and slightly higher state income tax rates. The increase in the 1992 effective rate of 38.5% compared to 36.2% in 1991 was due to lower tax credits in 1992. Prior to the dissolution of the MCA partnership on May 18, 1992, MCA partnership equity earnings were reflected as a reduction in selling, general and administrative expenses on a net of tax basis. See Taxes on page 24. Also see Summary of Significant Accounting Policies on page 18 for a discussion of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Impact of Inflation. Overall, the company's sales growth and earnings have not been materially impacted by inflation. The department store inflation rate, as measured by the government's Department Store Inventory Price Index, was 1.3% during 1993 compared to 0.6% in 1992. As a result of valuing our department store inventory on a LIFO basis, the current cost of merchandise is reflected in current operating results. The shoe industry experienced no inflation in 1993 and over the last three years the inflation rate has averaged less than 0.5%.



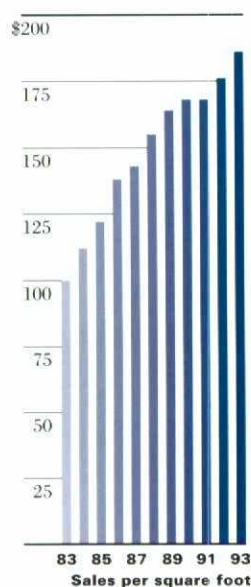
Summary Segment Information. May operates in two retail business segments – department stores and self-service family shoe stores operated by Payless ShoeSource. The following summarizes the results of these segments for the past three years. Additional information by business segment is presented in the Six Year Summary by Business Segment on pages 28 and 29.

May is the largest department store retailer in the United States. May's 301 quality department stores are operated by eight department store companies across the United States, each operating under long-standing and widely recognized names. Each store company holds a leading market position in its region. Results for the department store segment were:

(dollars in millions)	1993	1992	1991	Increase	
				1993	1992
Net retail sales	\$9,054	\$8,457	\$7,914	7.1%	6.9%
Operating earnings	1,276	1,109	963	15.1	15.1
Return on revenues	13.3%	11.8%	10.6%		
Return on net assets	23.9	20.5	18.0		

Department store operating earnings represent LIFO earnings before income taxes, net interest expense and corporate expense, and exclude goodwill amortization and special and nonrecurring items. Department store operating earnings presented above include LIFO charges of \$7, \$10 and \$26 million in 1993, 1992 and 1991, respectively. Department store operating earnings, excluding LIFO, are presented below on a supplementary basis for comparative purposes:

(dollars in millions)	1993	1992	1991	Increase	
				1993	1992
Operating earnings	\$1,283	\$1,119	\$989	14.6%	13.1%
Return on revenues	13.4%	11.9%	10.9%		



	Net Retail Sales in Millions of Dollars		Sales Per Square Foot		Building Area Square Footage in Thousands		Number of Stores			
	1993	1992	1993	1992	1993	1992	1993	New	Closed	1992
Lord & Taylor, New York City	\$ 1,302	\$ 1,227	\$219	\$212	6,286	5,934	49	3	-	46
Foley's, Houston	1,590	1,496	175	163	9,196	9,642	48	-	2	50
Robinsons-May, Los Angeles	1,320	1,231	160	163	8,626	9,206	48	3	10	55
Hecht's, Washington, D.C.	1,326	1,218	207	199	6,912	6,346	45	4	-	41
Kaufmann's, Pittsburgh	1,240	1,182	192	184	6,774	6,735	40	1	1	40
Filene's, Boston	1,068	992	238	233	4,704	4,599	33	2	2	33
Famous-Barr, St. Louis	884	812	179	164	5,145	5,266	30	-	-	30
Meier & Frank, Portland, Ore.	324	299	193	179	1,737	1,739	8	-	-	8
Total department stores	9,054	8,457	191	179	49,380	49,467	301	13	15	303
Payless ShoeSource	1,966	1,788	165	161	12,345	11,527	3,779	216 (net)	-	3,563
Total	\$11,020	\$10,245	\$186	\$176	61,725	60,994	4,080	229	15	3,866

Net retail sales represent sales of stores open at the end of 1993.

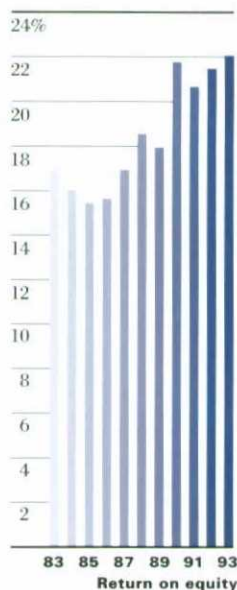
Sales per square foot is calculated on total revenues and average gross retail square footage.

Building area represents gross retail square footage of stores open at the end of the period presented.

Payless ShoeSource, the nation's largest chain of self-service family shoe stores, sold 174 million pairs of shoes in 1993, representing one of every six pairs of shoes sold in the United States. At year-end, Payless ShoeSource operated 3,779 stores in 49 states, the District of Columbia, Puerto Rico and the Virgin Islands. Results for Payless ShoeSource were:

(dollars in millions)	1993	1992	1991	Increase	
				1993	1992
Net retail sales	\$1,966	\$1,788	\$1,548	10.0%	15.5%
Operating earnings	225	214	184	5.0	16.1
Return on revenues	11.4%	12.0%	11.9%		
Return on net assets	23.9	26.5	29.0		

Provided at the bottom of this page is a summary of net retail sales, sales per square foot, building area square footage and number of stores for our eight department store operating companies and Payless ShoeSource.



REVIEW OF FINANCIAL CONDITION

During 1993, we further strengthened our balance sheet and financial condition with our strong financial performance. We continue to meet our objective of generating superior shareowner returns, while maintaining access to capital at all times at reasonable costs.

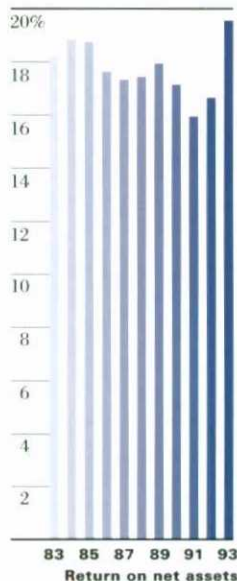
Return on Equity. Return on equity is our principal measure in evaluating our performance for shareowners and our ability to profitably invest shareowners' funds. Our objective is to sustain performance that places our return on equity in the top quartile of the retail industry. Our return on beginning equity in 1993 was 22.1% compared to 21.5% in 1992 and 20.7% in 1991.

Return on Net Assets. Return on net assets measures performance independent of capital structure. Return on net assets represents pretax earnings before special and nonrecurring items, net interest expense and the interest component of operating leases, divided by beginning of the year net assets (including present value of operating leases). Return on net assets was 19.6% in 1993 compared to 16.7% in 1992 and 16.0% in 1991. The improvement in the 1993 return on net assets compared to 1992 was due to the growth in earnings and a decrease in beginning of the year net assets of \$368 million due to the impact of the 1992 MCA partnership dissolution and the 1992 special and nonrecurring charges.

Financing Activities. During 1993, the company retired \$100 million of high interest rate debt. The cost associated with retiring the debt was recorded in 1992. See Special and Nonrecurring Items on page 27.

During 1992, the company issued \$200 million of 8-3/8% debentures due in 2022. The proceeds from the issuance were added to the company's general funds and were available for the purchase of certain of the company's other indebtedness, capital expenditures, working capital needs and other general corporate purposes, including investments and acquisitions. During 1992, the company retired \$360 million of high interest rate debt. Also, upon dissolution of the MCA partnership on May 18, 1992, the company received a majority ownership interest in MCAC and, therefore, \$618 million of MCAC sale/leaseback debt was eliminated on a consolidated basis. See May Centers Associates and Special and Nonrecurring Items on page 27.

During 1991, the company obtained \$434 million of long-term financing, consisting of \$375 million from the issuance of 30-year debentures, \$2 million from the issuance of medium-term notes and \$57 million from MCAC sale/leaseback transactions (MCAC loans). The proceeds from these financings were used to repay the company's outstanding commercial paper and short-term indebtedness, and for general corporate purposes.



Financial Condition Ratios. Our debt-to-capitalization ratio and fixed charge coverage continue to be strong and consistent with our capital structure objectives and provide us with substantial financial flexibility.

The debt-to-capitalization ratio was 45%, 49% and 54% at the end of 1993, 1992 and 1991, respectively. The decrease in the debt-to-capitalization ratio over the past two years was primarily due to the elimination of the MCAC loans and other net reductions in debt, along with the continued growth in retained earnings. For purposes of the debt-to-capitalization ratio, total debt is defined as short-term and long-term debt (including the ESOP debt reduced by unearned compensation, and excluding one-half of the MCAC loans and one-half of the capital lease obligation payable to May Centers, Inc., due to our 50% partnership interest in MCA prior to the MCA partnership dissolution), redeemable preferred stock and the capitalized value of all leases, including operating leases. Capitalization is defined as total debt, noncurrent deferred taxes, ESOP Preference Shares and shareowners' equity. See Profit Sharing on page 23 for discussion of the ESOP.

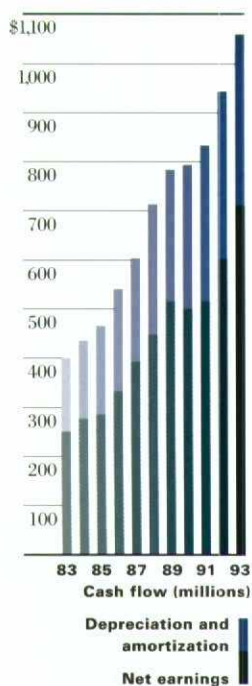
Fixed charge coverage was 3.1x in 1993 and 2.4x in each of 1992 and 1991. Fixed charge coverage, excluding the impact of the special and nonrecurring items, was 2.7x in 1992. The improvement in coverage in both 1993 and 1992 (excluding the impact of the special and nonrecurring items) resulted from net reductions in debt and lower average interest rates, partially offset by increased real property rent expense. In addition, fixed charge coverage improved as a result of the increased level of pretax earnings. Fixed charges are defined as gross interest expense (excluding one-half of the interest expense related to the MCAC loans prior to the MCA partnership dissolution), interest expense on the ESOP debt, total rent expense and the pretax equivalent of dividends on redeemable preferred stock.

Our bonds are rated A by Standard & Poor's Corporation and A2 by Moody's Investors Service, Inc. Our commercial paper is rated A1 and P1 by Standard & Poor's and Moody's, respectively.

Cash Flow. Cash flow from operations (earnings and depreciation/amortization) reached over \$1 billion for the first time in 1993. Cash flow from operations was 9.2% of revenues in 1993 compared to 8.5% of revenues in 1992 and 7.9% of revenues in 1991. The company's cash flow as a percent of revenues continues to be one of the highest in the retail industry. Internally generated funds continue to be our primary source of liquidity. The company's objective is to use short-term debt only to finance seasonal requirements.

Sources and (uses) of cash flows are summarized below:

(millions)	1993	1992	1991
Earnings and depreciation/amortization	\$1,059	\$ 944	\$ 834
Working capital (increases) decreases	(216)	(142)	23
Other operating activities	73	13	(51)
Investing activities	(588)	(394)	(515)
Net long-term debt (repayments) issuances	(192)	(248)	313
Other financing activities	(262)	(208)	(418)
(Decrease) increase in cash and cash equivalents	\$ (126)	\$ (35)	\$ 186



Capital Expenditures. We use our strong financial condition to make capital expenditures to enhance shareowners' returns. Return on net assets, internal rate of return and sales per square foot are emphasized as the principal operating measures as we invest in new stores and remodels and eliminate unproductive space.

Capital expenditures in 1994 will approximate \$950 million (including \$160 million representing the capital value of new operating leases). Capital expenditures for the 1994-1998 period are planned at \$5.0 billion (including \$800 million representing the capital value of new operating leases). We plan to use internal cash flow to finance substantially all of these expenditures.

Available Credit. During the 1993 second quarter, the company replaced its \$750 million available credit agreement with a similar \$750 million agreement which expires in 1998. In addition, as of January 29, 1994, the company had a shelf registration statement filed with the Securities and Exchange Commission which would enable it to issue up to \$550 million of additional debt securities.

Common Stock Split, Dividends and Market Prices.

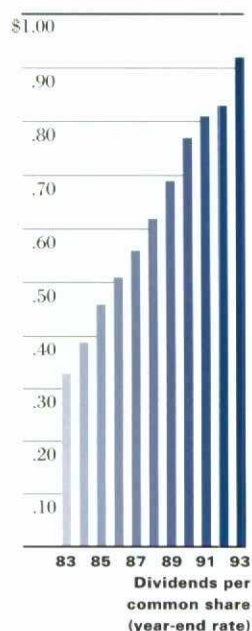
In June 1993, the company effected a two-for-one split in the form of a 100% common stock dividend (the "stock split"). All share and per share data included in this annual report have been restated to reflect the stock split.

Our policy is to increase dividends on common stock consistent with our earnings growth over time. The 1994 annual dividend rate was increased 13%, \$.12 per share, to \$1.04 per share, the 19th consecutive annual dividend increase. The new annual dividend of \$1.04 per share will be effective with the June 1994 dividend payment. Dividends paid have increased at a compound rate of 7.6% during the past five years. The company has paid consecutive quarterly dividends since December 1, 1911.

The quarterly price ranges of the common stock and dividends per share in 1993 and 1992 were:

Quarter	1993			1992		
	Market Price		Dividends Per Share	Market Price		Dividends Per Share
	High	Low		High	Low	
First	\$39 ³ / ₄	\$33 ⁷ / ₁₆	\$.20 ³ / ₄	\$31 ⁵ / ₈	\$27	\$.20 ¹ / ₄
Second	41 ¹ / ₈	34 ⁵ / ₈	.23	29 ¹⁵ / ₁₆	26	.20 ³ / ₄
Third	46 ¹ / ₄	39 ¹ / ₂	.23	35 ³ / ₄	28 ⁷ / ₈	.20 ³ / ₄
Fourth	46 ¹ / ₂	37 ¹ / ₂	.23	37 ¹ / ₄	33 ⁷ / ₈	.20 ³ / ₄
Year	\$46 ¹ / ₂	\$33 ⁷ / ₁₆	\$.89 ³ / ₄	\$37 ¹ / ₄	\$26	\$.82 ¹ / ₂

The approximate number of common shareowners as of March 1, 1994, was 46,000.



Summary of Significant Accounting Policies

Fiscal Year. The company's fiscal year ends on the Saturday closest to January 31. Fiscal years 1993, 1992 and 1991 ended on January 29, 1994, January 30, 1993, and February 1, 1992, respectively. Each year included 52 weeks. References to years in this annual report relate to fiscal years rather than calendar years.

Basis of Reporting. The consolidated financial statements include the accounts of the company and all wholly owned subsidiaries (the company). Prior to dissolution of the May Centers Associates (MCA) partnership in 1992, the company's 50% partnership investment in MCA was accounted for using the equity method of accounting. See May Centers Associates on page 27.

Net Retail Sales and Revenues. Net retail sales (sales) represent the sales of stores operating at the end of the latest period, and exclude finance charge revenues and the sales of stores which have been closed and not replaced. Sales include sales of merchandise and services and sales of leased and licensed departments. Sales are net of returns and exclude sales tax. Store-for-store sales represent sales of those stores open during both years. Revenues include finance charge revenues and all sales from all stores operating during the period.

Cost of Sales. Cost of sales includes the cost of merchandise sold and buying and occupancy costs.

Preopening Expenses. Costs associated with the opening of new stores are expensed during the year incurred.

Income Taxes. Effective with the beginning of 1993, the company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." The cumulative effect of adopting SFAS No. 109 was insignificant and, therefore, no adjustments were reflected in the financial statements. SFAS No. 109 requires income taxes to be accounted for using a balance sheet approach known as the liability method, as compared to the previous approach known as the deferred method. The liability method accounts for deferred income taxes by applying statutory tax rates in effect at the date of the balance sheet to differences between the book and tax basis of assets and liabilities. Adjustments to deferred taxes resulting from statutory rate changes flow through the tax provision in the year of the change.

Earnings Per Share. Primary earnings per share are computed by dividing net earnings less dividend requirements on redeemable preferred stock and ESOP Preference Shares (net of related income tax benefits on unallocated shares) by the average common shares outstanding and common share equivalents during the period. Fully diluted earnings per share assume conversion of the ESOP Preference Shares into common stock and adjust net earnings for the additional expense required to fund the ESOP debt service resulting from the assumed replacement of the ESOP Preference Shares dividends with common stock dividends. The average common shares outstanding and common share equivalents used to calculate fully diluted earnings per share were 265.5, 265.3 and 264.2 million in 1993, 1992 and

1991, respectively. References to earnings per share in this annual report relate to fully diluted earnings per share.

With the adoption of SFAS No. 109 in the 1993 first quarter, the tax benefit to the company from dividends paid on the unallocated shares of common stock assumed held by the ESOP is no longer reflected in fully diluted earnings per share. The impact on 1993 fully diluted earnings per share was a decrease of \$.02.

Cash Equivalents. Cash equivalents consist primarily of commercial paper with maturities less than three months. Cash equivalents are stated at cost, which approximates fair value.

Accounts Receivable. In accordance with industry practice, installments on deferred payment accounts receivable maturing in more than one year have been included in current assets.

Merchandise Inventories. Department store merchandise inventories (83% of the company's consolidated inventories in 1993 and 1992) are valued by the retail method and are stated on the LIFO (last-in, first-out) cost basis, which is lower than market. The accumulated LIFO provision was \$217 and \$210 million in 1993 and 1992, respectively. Payless ShoeSource merchandise inventories are valued by the retail method and are stated on the lower of average cost or market basis.

Property and Equipment. Property and equipment are recorded at cost. Property and equipment are depreciated on a straight-line basis over their estimated useful lives. Investments in properties under capital leases and leasehold improvements are amortized over the shorter of their useful lives or their related lease terms.

Goodwill. Goodwill represents the excess of cost over the fair value of net tangible assets acquired at the dates of acquisition. Substantially all amounts are amortized using the straight-line method over a 40-year period. Goodwill is presented in the consolidated balance sheet net of accumulated amortization of \$94 and \$77 million in 1993 and 1992, respectively.

Consolidated Statement of Earnings

(millions, except per share)	1993	1992	1991
Net Retail Sales	\$11,020	\$10,245	\$ 9,462
Revenues	\$11,529	\$11,150	\$10,615
Cost of sales	7,910	7,691	7,339
Selling, general and administrative expenses	2,196	2,202	2,164
Interest expense, net	245	279	316
Special and nonrecurring items	-	187	-
Total cost of sales and expenses	10,351	10,359	9,819
Earnings before income taxes	1,178	791	796
Provision for income taxes	467	188	281
Net earnings	\$ 711	\$ 603	\$ 515
Primary Earnings Per Share	\$ 2.77	\$ 2.35	\$ 2.01
Fully Diluted Earnings Per Share	\$ 2.65	\$ 2.26	\$ 1.93

See the Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

	January 29, 1994	January 30, 1993
(dollars in millions, except per share)		
Assets		
Current Assets:		
Cash	\$ 15	\$ 17
Cash equivalents	31	155
Accounts receivable, net	2,394	2,367
Merchandise inventories	2,020	1,791
Other current assets	219	324
Total Current Assets	4,679	4,654
Property and Equipment:		
Land	248	247
Buildings and improvements	2,673	2,496
Furniture, fixtures and equipment	2,043	1,887
Property under capital leases	83	101
Total property and equipment	5,047	4,731
Accumulated depreciation	(1,636)	(1,573)
Property and equipment, net	3,411	3,158
Goodwill	619	636
Other Assets	91	97
Total Assets	\$8,800	\$8,545
Liabilities and Shareowners' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 113	\$ 252
Accounts payable	870	723
Accrued expenses	740	939
Income taxes payable	48	61
Total Current Liabilities	1,771	1,975
Long-term Debt	2,822	2,879
Deferred Income Taxes	373	320
Other Liabilities	182	176
ESOP Preference Shares	380	389
Unearned Compensation	(367)	(375)
Shareowners' Equity:		
Common stock	124	124
Additional paid-in capital	21	34
Retained earnings	3,494	3,023
Total Shareowners' Equity	3,639	3,181
Total Liabilities and Shareowners' Equity	\$8,800	\$8,545

Common stock has a par value of \$.50 per share; 700 million shares are authorized and 313.6 million shares were issued. At January 29, 1994, 248.3 million shares were outstanding and 65.3 million shares were held in treasury. At January 30, 1993, 248.1 million shares were outstanding and 65.5 million shares were held in treasury.

ESOP Preference Shares have a par value of \$.50 per share, stated value of \$507 per share and 800,000 shares are authorized. At January 29, 1994, 750,303 shares (convertible into 15.4 million common shares) were issued and outstanding. At January 30, 1993, 767,956 shares (convertible into 15.7 million common shares) were issued and outstanding.

See Preferred and Preference Stock in Notes to Consolidated Financial Statements for discussion of other preferred stock.

See the Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(millions)	1993	1992	1991
Operating Activities:			
Net earnings	\$ 711	\$ 603	\$ 515
Adjustments for noncash items included in earnings:			
Depreciation and amortization	348	341	319
Deferred income taxes (noncurrent)	10	9	14
Deferred and unearned compensation	17	21	21
Adjusted equity earnings of MCA partnership	-	(7)	(33)
Nonrecurring gain	-	(298)	-
Special and nonrecurring charges, net of tax benefit	-	298	-
Working capital (increases) decreases*	(216)	(142)	23
Other assets and liabilities, net	46	(10)	(53)
Total Operating Activities	916	815	806
Investing Activities:			
Capital expenditures	(700)	(404)	(512)
Disposition of property and equipment	118	72	46
Acquisition of 21% of MCAC	-	(156)	-
Collection of MCI note receivable	-	74	-
Other	(6)	20	(49)
Total Investing Activities	(588)	(394)	(515)
Financing Activities:			
Decrease in notes payable	-	-	(214)
Issuance of long-term debt	12	208	434
Repayment of long-term debt	(204)	(456)	(121)
Purchase of common stock	(54)	(31)	(32)
Issuance of common stock	32	46	44
Dividend payments	(240)	(223)	(216)
Total Financing Activities	(454)	(456)	(105)
(Decrease) Increase in Cash and Cash Equivalents	(126)	(35)	186
Cash and Cash Equivalents, Beginning of Year	172	207	21
Cash and Cash Equivalents, End of Year	\$ 46	\$ 172	\$ 207
*Comprised of:			
Accounts receivable, net	\$ (27)	\$ 37	\$ 90
Merchandise inventories	(229)	(50)	(113)
Other current assets	105	24	(47)
Accounts payable	147	61	(8)
Accrued expenses	(199)	(199)	24
Income taxes payable	(13)	(15)	77
Net (increase) decrease in working capital	\$(216)	\$(142)	\$ 23
Cash paid during the year:			
Interest	\$ 257	\$ 304	\$ 334
Income taxes	322	354	267

Noncash investing and financing activities include the disposition of \$164 million investment in MCA and the elimination of \$618 million of MCAC loans upon dissolution of the MCA partnership in 1992, and conversions of ESOP Preference Shares into common stock of \$9, \$5 and \$3 million in 1993, 1992 and 1991, respectively.

See the Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Statement of Shareowners' Equity

(dollars in millions, shares in thousands)	Outstanding Common Stock		Additional Paid-in Capital	Retained Earnings	Total Share- owners' Equity
	Shares	Dollars			
Balance at February 2, 1991	245,793	\$123	\$ -	\$2,344	\$2,467
Net earnings	-	-	-	515	515
Dividends paid:					
Common stock (\$.80 ¹ / ₂ per share)	-	-	-	(198)	(198)
ESOP Preference Shares, net of tax benefit	-	-	-	(18)	(18)
Preferred stock	-	-	-	-	-
Common stock issued	2,299	1	46	-	47
Purchase of common stock	(1,176)	(1)	(31)	-	(32)
Balance at February 1, 1992	246,916	123	15	2,643	2,781
Net earnings	-	-	-	603	603
Dividends paid:					
Common stock (\$.82 ¹ / ₂ per share)	-	-	-	(205)	(205)
ESOP Preference Shares, net of tax benefit	-	-	-	(18)	(18)
Preferred stock	-	-	-	-	-
Common stock issued	2,165	1	50	-	51
Purchase of common stock	(974)	-	(31)	-	(31)
Balance at January 30, 1993	248,107	124	34	3,023	3,181
Net earnings	-	-	-	711	711
Dividends paid:					
Common stock (\$.89 ³ / ₄ per share)	-	-	-	(223)	(223)
ESOP Preference Shares, net of tax benefit	-	-	-	(17)	(17)
Preferred stock	-	-	-	-	-
Common stock issued	1,611	1	40	-	41
Purchase of common stock	(1,376)	(1)	(53)	-	(54)
Balance at January 29, 1994	248,342	\$124	\$ 21	\$3,494	\$3,639

Outstanding common stock excludes shares held in treasury. Treasury share activity for the last three years is summarized below:

	1993	1992	1991
Balance, Beginning of Year	65,530	66,721	67,844
Common stock issued:			
Exercise of stock options	(967)	(1,667)	(1,679)
Deferred compensation plan	(239)	(217)	(324)
Restricted stock grants, net of forfeitures	31	(102)	(182)
Contribution to Profit Sharing Plan	(76)	-	-
Conversion of ESOP Preference Shares	(360)	(179)	(114)
	(1,611)	(2,165)	(2,299)
Purchase of common stock	1,376	974	1,176
Balance, End of Year	65,295	65,530	66,721

See the Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Quarterly Results (Unaudited). Quarterly results are determined in accordance with the annual accounting policies and include certain items based upon estimates for the entire year. Summarized quarterly results for the last two years were as follows:

(millions, except per share)					
					1993
Quarter	First	Second	Third	Fourth	Year
Revenues	\$2,422	\$2,586	\$2,814	\$3,707	\$11,529
Cost of sales	\$1,683	\$1,791	\$1,956	\$2,480	\$ 7,910
Net Earnings	\$ 96	\$ 117	\$ 133	\$ 365	\$ 711
Primary Earnings Per Share	\$.37	\$.45	\$.51	\$ 1.44	\$ 2.77
Fully Diluted Earnings Per Share	\$.35	\$.44	\$.49	\$ 1.37	\$ 2.65

(millions, except per share)					
					1992
Quarter	First	Second	Third	Fourth	Year
Revenues	\$2,388	\$2,486	\$2,671	\$3,605	\$11,150
Cost of sales	\$1,668	\$1,736	\$1,874	\$2,413	\$ 7,691
Net Earnings (Loss)	\$ 81	\$ 393*	\$ (190)*	\$ 319	\$ 603
Primary Earnings (Loss) Per Share	\$.31	\$ 1.56*	\$ (0.78)*	\$ 1.26	\$ 2.35
Fully Diluted Earnings (Loss) Per Share	\$.30	\$ 1.48*	\$ (0.72)*	\$ 1.20	\$ 2.26

* During the 1992 second quarter, the company recorded a \$298 million pretax and after tax nonrecurring gain, \$1.12 per share on a fully diluted basis (\$1.20 per share on a primary basis), from the distribution of the MCA partnership assets. (See May Centers Associates on page 27.) During the 1992 third quarter, the company recorded pretax charges of \$485 million, \$298 million after tax and \$1.12 per share on a fully diluted basis (\$1.20 per share on a primary basis), for special and nonrecurring items. (See Special and Nonrecurring Items on page 27.) On a full-year basis, the special and nonrecurring items had no impact on net earnings or earnings per share.

There are variables and uncertainties in the factors used to estimate the annual LIFO provision on an interim basis. The following unaudited supplementary information shows the pro forma per share impact of LIFO had the final variables and factors been known at the beginning of each year.

		1993		
Quarter		Pro Forma	As Reported	Pro Forma
				As Reported
First		\$.00	\$.02	\$.00
Second		.01	.02	.01
Third		.00	.01	.00
Fourth		.01	(.03)	.01
Year		\$.02	\$.02	\$.02

Profit Sharing. The company has one qualified profit sharing plan which covers substantially all associates who are paid for 1,000 hours or more in a year and have attained age 21. The plan is a defined contribution plan which provides for discretionary matching allocations at a variable matching rate generally based upon changes in the company's annual earnings per share, as defined in the plan. The plan's matching allocation value totaled \$35, \$31 and \$17 million in 1993, 1992 and 1991, respectively.

The company's Profit Sharing Plan includes an Employee Stock Ownership Plan (ESOP) under which the Profit Sharing Plan borrowed \$400 million in 1989, guaranteed by the company, at an average rate of 8.5% with an average maturity of 12 years. The proceeds were used to purchase \$400 million of a new class of convertible preference stock of the company (ESOP Preference Shares). The company issued 788,955 shares of ESOP Preference Shares. Each share is convertible into 20.4903 shares of common stock and has a stated value of \$24.74 per common share equivalent. The annual dividend rate on the ESOP Preference Shares is 7.5%, and the shares are redeemable by the holder or the company in certain situations.

The \$396 million outstanding portion of the guaranteed ESOP debt is reflected in the consolidated balance sheet in long-term debt as the company will ultimately fund the required debt service. The company's contributions to the ESOP, along with the dividends on the ESOP Preference Shares, are used to repay the loan principal and interest. Interest expense associated with the ESOP debt was \$33 million in 1993 and \$34 million in each of 1992 and 1991. ESOP Preference Shares dividends were \$29 million in each of 1993 and 1992, and \$30 million in 1991. ESOP debt principal payments began in 1993. ESOP Preference Shares are released based upon debt service payments and are allocated to participating associates' accounts. Unearned compensation, initially an equal, offsetting amount to the \$400 million guaranteed ESOP debt, has been adjusted for the difference between the expense related to the ESOP and cash payments to the ESOP, and is amortized as principal is repaid.

The company's expense related to the Profit Sharing Plan was \$22, \$14 and \$11 million in 1993, 1992 and 1991, respectively.

At January 29, 1994, the Profit Sharing Plan beneficially owned 11.7 million shares of the company's common stock and 100% of the company's ESOP Preference Shares, which are convertible into 15.4 million shares of the company's common stock, representing 10.2% of the company's common stock on a fully converted basis.

Pension. The company has one retirement plan which covers substantially all associates who are paid for 1,000 hours or more in a year and have attained age 21. The plan is noncontributory and provides benefits based upon years of service and pay during employment. The company also maintains a nonqualified supplementary retirement plan for certain associates and foreign retirement plans for certain overseas-based associates.

Pension expense is determined by the company based on information provided by an outside actuarial firm, using assumptions to estimate the total benefits ultimately payable to associates and then allocating this cost to service periods. The actuarial assumptions used to calculate pension costs are reviewed annually. The following tables summarize the funded status of the plans,

components of pension expense, actuarial assumptions and definitions of terms.

(millions)	1993	1992
Actuarial Present Value of Benefit Obligations:		
Vested benefit obligation	\$206	\$194
Nonvested benefit obligation	18	16
Accumulated benefit obligation (ABO)	224	210
Estimated effect of future salary increases	56	55
Projected benefit obligation (PBO)	280	265
Plan assets at fair value (primarily equity and fixed income securities)	234	251
Plan assets less than PBO	(46)	(14)
Unrecognized obligation	5	6
Unrecognized gain	(19)	(43)
Unrecognized prior service cost	21	21
Accrued pension cost	\$ (39)	\$ (30)
Plan assets in excess of ABO	\$ 10	\$ 41

The accrued pension cost primarily represents the unfunded ABO for the nonqualified supplementary retirement plan.

During 1993, the discount rate assumption was lowered from 8.25% to 7.0% as a result of decreases during the year in interest rates used as a benchmark in determining the assumed discount rate. The lower discount rate assumption increased the 1993 year-end ABO by approximately \$30 million.

(millions)	1993	1992	1991
Components of Pension Expense:			
Service cost	\$ 23	\$ 23	\$ 22
Interest on PBO	20	20	21
Actual return on assets	(22)	(12)	(43)
Net amortization and deferral	3	(7)	24
Settlement of pension obligations	-	-	(5)
Total	\$ 24	\$ 24	\$ 19

The increase in 1992 pension expense from 1991 was primarily due to a \$5 million reduction of expense resulting from the 1991 settlement of certain retirees' pension obligations.

The change in the actuarial assumptions shown below will increase 1994 pension expense by approximately \$8 million.

	January 1,		
	1994	1993	1992
Actuarial Assumptions:			
Discount rate	7.0%	8.25%	8.25%
Expected return on plan assets	7.5	8.25	8.25
Salary increase	5.0	6.0	6.0

Definitions of Terms:

ABO is the actuarial present value of benefits (both vested and nonvested) attributed by the pension benefit formula to prior associate service based on current and past compensation levels.

PBO is the actuarial present value of benefits attributed by the pension benefit formula to prior associate service taking into consideration future salary increases.

Accrued pension cost is the balance sheet accrued expense not yet paid to a plan.

Net amortization and deferral represents the net effect during the period of the delayed recognition provisions of SFAS No. 87.

Another important element in the retirement programs for associates is the federal Social Security system into which the company paid \$134 million in 1993 as its matching portion of the \$134 million contributed by associates.

The company maintains a postretirement benefit plan for certain associates. Benefits vary by the group of associates covered and include fixed or variable benefits for life and/or health insurance. Current eligibility is limited to a small group of associates. During 1993, the company lowered the discount rate assumption from 8.25% to 7.0%, which resulted in a \$5 million increase in the present value of future obligations. As of January 29, 1994, the company's estimated present value of future obligations for postretirement benefits was \$43 million of which \$39 million was accrued. As provided in Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," an unrecognized net loss of less than 10% of the liability is not required to be amortized. The estimated future obligations are based upon assumed annual health care cost increases of 12% for 1994 and decreasing by 1% annually to 8% for 1998 and future years. A one-percentage-point increase in the assumed annual health care cost increases would increase the present value of estimated future obligations for postretirement benefits by \$1 million. The postretirement plan is unfunded. The postretirement expense was \$2 million in 1993 and \$3 million in each of 1992 and 1991.

Taxes. The provision for income taxes and related percent of pretax earnings for the last three years were as follows:

(dollars in millions)	1993		1992		1991	
	\$	%	\$	%	\$	%
Federal	\$304		\$259		\$237	
State and local	68		49		49	
Taxes currently payable	372	31.6%	308	38.9%	286	35.9%
Federal	81		(106)		(5)	
State and local	14		(14)		-	
Deferred taxes	95	8.0	(120)	(15.2)	(5)	(0.6)
Total	\$467	39.6%	\$188	23.7%	\$281	35.3%

The 1993 federal income tax rate increase, effective retroactive to January 1, 1993, resulted in an additional \$13 million tax provision in 1993.

The provision for deferred income taxes prior to the adoption of SFAS No. 109 consisted of:

(millions)	1992	1991
Depreciation and amortization	\$ 8	\$ 15
Accrued expenses and reserves	(124)	(18)
Other, net	(4)	(2)
Total	\$(120)	\$ (5)

The reconciliation between the statutory federal income tax rate and the effective income tax rate for the last three years follows:

	1993	1992	1991
Statutory federal income tax rate	35.0%	34.0%	34.0%
State and local income taxes, net of federal tax benefit	4.5	2.9	4.3
Nonrecurring gain	-	(12.8)	-
Equity earnings of MCA partnership	-	(0.3)	(1.6)
Other, net	0.1	(0.1)	(1.4)
Effective income tax rate	39.6%	23.7%	35.3%

Major components of deferred tax assets and liabilities were as follows:

(millions)	January 29, 1994	January 31, 1993
Accrued expenses and reserves	\$ 190	\$ 282
Deferred and other compensation	92	93
Depreciation/amortization and basis differences	(401)	(401)
Other deferred income tax liabilities, net	(72)	(10)
Net deferred income taxes	(191)	(36)
Deferred investment tax credit	(3)	(6)
Less: Net current deferred income tax assets	(179)	(278)
Noncurrent deferred income taxes	\$(373)	\$(320)

January 31, 1993, balances reflect SFAS No. 109.

Net current deferred income tax assets are included in other current assets in the accompanying balance sheet.

Taxes other than income taxes consisted of:

(millions)	1993	1992	1991
Payroll	\$165	\$164	\$162
Real estate and personal property	79	83	78
Total	\$244	\$247	\$240

Accounts Receivable. During 1993, credit sales under department store credit programs were \$6.0 billion, or 62.4% of 1993 department store sales compared with 64.2% in 1992 and 66.3% in 1991. An estimated 32 million customers hold credit cards under the company's various credit programs. During the past years, we have expanded our acceptance of third party credit cards. Sales made through third party credit cards, including sales of Payless ShoeSource stores, totaled \$1.5 billion in 1993 compared to \$1.1 billion in 1992.

Net accounts receivable consisted of:

(millions)	January 29, 1994	January 30, 1993
Customer accounts receivable	\$2,368	\$2,373
Other accounts receivable	102	76
Total accounts receivable	2,470	2,449
Allowance for uncollectible accounts	(76)	(82)
Accounts receivable, net	\$2,394	\$2,367

The carrying value of net accounts receivable approximates fair value.

Other Current Assets. In addition to net current deferred income tax assets, other current assets consisted of prepaid expenses and supply inventories.

Other Assets. Major components of other assets included:

(millions)	January 29, 1994	January 30, 1993
Notes receivable	\$44	\$38
Deferred debt expense and restricted construction funds	29	40

Accrued Expenses. Major components of accrued expenses included:

(millions)	January 29, 1994	January 30, 1993
Insurance costs	\$199	\$194
Sales and use and other taxes	130	120
Consolidations, store closings and other	113	336
Interest and rent expense	98	98
Salaries, wages and employee benefits	80	79
Advertising and other operating expenses	45	54
Construction costs	34	17

Short-term Debt and Lines of Credit.

Short-term borrowings for the last three years were:

(dollars in millions)	1993	1992	1991
Balance outstanding at year-end	-	-	-
Average balance outstanding	\$ 94	\$ 36	\$ 81
Average interest rate on average balance	3.3%	3.6%	5.7%
Maximum balance outstanding	\$344	\$135	\$249

The average balance of short-term borrowings outstanding, primarily commercial paper, and the respective weighted average interest rates are based on the number of days such short-term borrowings were outstanding during the year. The company has available credit agreements amounting to \$750 million. At January 29, 1994, there were no amounts outstanding under these agreements.

Long-term Debt. Long-term debt and capital lease obligations were:

(dollars in millions)	January 29, 1994	January 30, 1993
2.25% to 10.75% unsecured notes and sinking fund debentures due 1994-2022	\$2,780	\$2,960
3.0% to 10.0% mortgage notes and bonds due 1995-2012	72	74
Total debt	2,852	3,034
Capital lease obligations	83	97
	2,935	3,131
Less current maturities	(113)	(252)
Total	\$2,822	\$2,879

During 1993, the company retired \$100 million of high interest rate debt. The cost associated with retiring the debt was recorded in 1992. See Special and Nonrecurring Items on page 27.

During 1992, the company issued \$200 million of 8-3/8% debentures due in 2022. The proceeds from the issuance were added to the company's general funds and were available for the purchase of certain of the company's other indebtedness, capital expenditures, working capital needs and other general corporate purposes, including investments and acquisitions. During 1992, the company retired \$360 million of high interest rate debt. Also, upon dissolution of the MCA partnership on May 18, 1992, the company received a majority ownership interest in MCAC and, therefore, \$618 million of MCAC loans were

eliminated on a consolidated basis. See May Centers Associates and Special and Nonrecurring Items on page 27.

During 1991, the company obtained \$434 million of long-term financing, consisting of \$375 million from the issuance of 30-year debentures, \$2 million from the issuance of medium-term notes and \$57 million from sale/leaseback transactions. The proceeds from these financings were used to repay the company's outstanding commercial paper and short-term indebtedness, and for general corporate purposes.

The annual maturities of long-term debt, including sinking fund requirements and anticipated early retirements, are \$113, \$169, \$21, \$237 and \$244 million for 1994 through 1998, respectively.

The fair value of the company's total debt was \$3.44 billion compared to a recorded amount of \$2.85 billion at January 29, 1994, and was \$3.45 billion compared to \$3.03 billion at January 30, 1993. The increase in the spread between the fair value and recorded amount in 1993 was due to lower interest rates at the end of 1993 compared to the end of 1992. The fair value was determined based upon borrowing rates currently available for debt instruments with similar remaining terms and maturities.

The net book value of property and equipment encumbered under long-term debt agreements was \$124 million at January 29, 1994.

In connection with a 1986 real estate transaction, the company sold \$165 million of notes received from the sale of real estate and became contingently liable for up to \$42 million of the purchaser's debt in the event of default. The fair value of this guarantee is not significant.

Lease Obligations. The company owns approximately 77% of its department stores and leases substantially all of its Payless ShoeSource stores. Approximately 79% of real property rent expense was attributable to Payless ShoeSource stores in 1993.

Rental expense for the company's operating leases consisted of:

(millions)	1993	1992	1991
Minimum rentals	\$223	\$202	\$183
Contingent rentals based on sales	18	19	21
Real property rentals	241	221	204
Equipment rentals	7	8	11
Total	\$248	\$229	\$215

Future minimum lease payments at January 29, 1994, were as follows:

(millions)	Capital Leases	Operating Leases	Total
1994	\$ 12	\$ 209	\$ 221
1995	11	195	206
1996	11	180	191
1997	11	160	171
1998	11	143	154
After 1998	165	588	753
Minimum lease payments	221	\$1,475	\$1,696
Less imputed interest component	(138)		
Present value of net minimum lease payments of which \$2 million is included in current liabilities	\$ 83		

The present value of operating leases was \$967 million at January 29, 1994.

The company entered into capital leases with MCI (currently known as CenterMark Properties, Inc.) in 1988 for certain department store properties, resulting in initial capital lease obligations of \$74 million payable to MCI through 2017. These leased properties owned by MCI secured a 12%, \$74 million note receivable from MCI, which was repaid in 1992. See May Centers Associates on page 27.

Property under capital leases is summarized as follows:

(millions)	January 29, 1994	January 30, 1993
Cost	\$ 83	\$101
Accumulated amortization	(30)	(37)
Total	\$ 53	\$ 64

Other Liabilities. Other liabilities principally consisted of deferred compensation liabilities of \$178 million and \$171 million at January 29, 1994, and January 30, 1993, respectively. Under the company's deferred compensation plan, eligible associates may elect to defer a portion of their compensation each year into cash and/or stock unit alternatives. The company makes payments in shares to settle obligations with most participants who defer in stock units and maintains shares in treasury sufficient to settle all outstanding stock unit obligations.

Bondholder Litigation. The company is a defendant in a lawsuit filed in Montgomery, Alabama, by certain former bondholders who allege, among other things, that the company reacquired certain indebtedness with lower-interest cost debt in violation of the bond indentures. The lawsuit seeks either reinstatement of the indebtedness plus reimbursement of the plaintiffs' attorneys fees or contractual damages in excess of \$25 million. The lawsuit also seeks punitive damages in excess of \$100 million. The company believes its actions were legal and proper and will vigorously defend its position. While the final outcome of this lawsuit cannot be determined with certainty, management believes that the final outcome will not have a material adverse effect on the company's results of operations or its financial position.

Preferred and Preference Stock. The company is authorized to issue 25,134,474 shares of preferred and preference stock. The following summarizes the authorized, issued and outstanding shares by type:

(dollars in millions, except per share)	Shares Authorized	Issued and Outstanding			
		January 29, 1994		January 30, 1993	
		\$	Shares	\$	Shares
Preferred Stock, no par value	51,323	1	12,115	1	12,115
\$1.80 Preference Stock, no par value	73,273	1	26,653	1	26,733
3-3/4% Cumulative Preference Stock, \$1.00 par value per share	9,878	-	-	-	-
Preference Stock, \$.50 par value per share, in the aggregate, including ESOP shares	25,000,000	380	750,303	389	767,956

The Preferred Stock and the \$1.80 Preference Stock are included in other liabilities. The ESOP Preference Shares are shown separately in the consolidated balance sheet outside of shareowners' equity as the shares are redeemable by the holder or the company in certain situations.

Common Stock Split. In June 1993, the company effected a two-for-one split in the form of a 100% common stock dividend (the "stock split"). Also, during 1993, the shareowners approved an amendment to the company's Certificate of Incorporation to increase the number of shares of common stock authorized from 350 million to 700 million, and decrease the par value per share of common stock from \$1.00 to \$.50. All share and per share data included in this annual report have been restated to reflect the stock split.

Stock Option and Stock Related Plans. Under the company's common stock option plans, options are granted at the market price on the date of grant. Options to purchase may extend for a period of five or 10 years, may be exercised in installments only after stated intervals of time, and are conditioned upon continued active employment with the company, except periods following retirement, disability or death. As the option price is fixed at the market price on the date of grant, no expense is charged against earnings by the company. The changes in outstanding stock options were as follows:

(shares in thousands)	1993		1992	
	Shares	Grant Prices	Shares	Grant Prices
Outstanding at beginning of year	4,941	\$ 8-37	5,417	\$ 4-29
Granted	1,227	37-44	1,584	27-37
Exercised	(967)	8-36	(1,661)	4-27
Cancelled or expired	(421)	15-37	(399)	15-36
Outstanding at end of year	4,780	\$ 8-44	4,941	\$ 8-37
Exercisable at end of year	1,503	\$ 8-37	1,133	\$ 8-27
Shares available for additional grants	4,195		5,104	

Under the 1979 Restricted Stock Plan, the company is authorized to grant a maximum of 3.6 million shares to management associates. No monetary consideration is paid by associates receiving restricted stock. Restrictions lapse over periods of up to 10 years as determined at the date of grant. During 1993 and 1992, the company granted 44,000 and 196,600 shares of restricted stock, respectively.

Shareowner Rights Plan. The company has a Shareowner Rights Plan (Preferred Stock Purchase Rights) under which a right is attached to each share of the company's common stock. The rights may only become exercisable under certain circumstances involving actual or potential acquisitions of the company's common stock by a person or affiliated persons. Depending upon the circumstances, if the rights become exercisable, the holder may be entitled to purchase units of the company's preference stock, shares of the company's common stock or shares of common stock of the acquiring person. The rights will remain in existence until March 3, 1996, unless they are earlier terminated, exercised or redeemed.

May Centers Associates. On May 18, 1992, the May Centers Associates (MCA) partnership was dissolved and its assets were distributed to its 50% partners, the company and an affiliate of The Prudential Life Insurance Company (The Prudential). The asset distribution resulted in the company receiving 79% of the stock of May Centers Associates Corporation (MCAC) and The Prudential receiving 21% of the stock of MCAC and 100% of the stock of May Centers, Inc. (MCI). MCI, a real estate entity, and MCAC, an entity which had entered into various sale/leaseback transactions with the company, were both 100% owned by MCA prior to the distribution. Subsequent to the distribution, MCI changed its name to CenterMark Properties, Inc. During the 1992 second quarter, the company recorded a \$298 million pretax and after tax nonrecurring gain from the distribution of MCA partnership assets. In the 1992 fourth quarter, the company acquired the 21% of the stock of MCAC held by The Prudential for \$156 million.

The company's investment in the MCA partnership and its results of operations were recorded using the equity method of accounting. Included in selling, general and administrative expenses were \$7 and \$33 million of adjusted equity earnings of MCA in 1992 and 1991, respectively.

Prior to 1992, the company and MCAC entered into sale/leaseback transactions whereby MCAC purchased from the company various department store properties. The sale/leasebacks were accounted for as loans from MCAC (MCAC loans). Upon dissolution of the MCA partnership on May 18, 1992, the company received a majority ownership interest in MCAC and, therefore, \$618 million of MCAC loans were eliminated on a consolidated basis.

Special and Nonrecurring Items. During the 1992 third quarter, the company recorded pretax charges of \$485 million, \$298 million after tax, for special and nonrecurring items. The pretax charges consisted of: \$240 million for four department store company consolidations; \$125 million for planned closings of low-productivity stores and other real estate-related charges including adjustments to reflect expected values of a number of properties planned for disposition; \$60 million for the costs associated with achieving various

operating efficiencies, including the May Merchandising Company headquarters relocation to St. Louis and the data center combinations; \$40 million for the cost associated with retiring high interest rate debt; and \$20 million for a special contribution to The May Department Stores Company Foundation. The cost to retire the debt was not reflected as an extraordinary item as it was not material to total company earnings or the earnings trend of the company.

During the 1992 second quarter, the company recorded a \$298 million pretax and after tax nonrecurring gain from the distribution of the MCA partnership assets on May 18, 1992. See May Centers Associates on page 27.

The 1992 special and nonrecurring charges and nonrecurring gain are reflected as special and nonrecurring items on a separate line in the consolidated statement of earnings. The 1992 special and nonrecurring items had no impact on full-year net earnings or earnings per share.

During 1991, the company provided pretax charges of \$36 million for costs associated with two department store company consolidations and \$26 million for costs associated with closing 20 low-productivity stores. Also during 1991, the company recorded pretax gains of \$35 million from real estate transactions and \$25 million from the sale of its equity interest in The Caldor Corporation. Due to the insignificance of the \$2 million net impact of these items on pretax earnings, the 1991 pretax charges and pretax gains were included in selling, general and administrative expenses.

Notes To Six Year Summary by Business Segment.

Net retail sales exclude finance charge revenues and sales of nonreplaced closed stores and sold divisions in all periods. The revenues shown below include finance charge revenues and all sales of all stores operating during the period.

(millions)	1993	1992	1991	1990	1989	1988
Revenues:						
Department stores	\$ 9,563	\$ 9,362	\$ 9,067	\$ 8,700	\$8,356	\$7,742
Payless ShoeSource	1,966	1,788	1,548	1,366	1,246	1,132
Total	\$11,529	\$11,150	\$10,615	\$10,066	\$9,602	\$8,874

Revenues for 1989 included 53 weeks.

Operating earnings represent LIFO earnings before federal and state income taxes, net interest expense and corporate expense, and exclude special and nonrecurring items and sold divisions. Goodwill, the fair value adjustment of property, equipment and leases, and the related amortization and depreciation of such items have been included in corporate expense and total assets.

In addition, consolidation costs, store closing costs and gains have been included in corporate expense and, in 1992, are shown on a separate line in the consolidated statement of earnings. Had these items been included in the operating segments, operating earnings and total assets for department stores, corporate and real estate would have been:

(millions)	1993	1992	1991	1990	1989	1988
Operating Earnings:						
Department stores	\$1,262	\$ 722	\$ 912	\$ 907	\$ 941	\$ 711
Real estate	-	7	49	40	35	73
Corporate expense	(63)	127	(33)	(66)	(88)	(34)
Total Assets:						
Department stores	\$7,612	\$7,240	\$7,297	\$7,193	\$6,466	\$6,004
Corporate and real estate	356	577	753	524	822	1,128

Total assets for corporate consist principally of cash, cash equivalents, goodwill and purchase accounting fair value adjustments, the investment in MCA partnership (prior to dissolution in 1992) and the net assets of discontinued operations (Loehmann's in 1988 and earlier years, and Caldor and Venture in 1989 and earlier years).

Net assets represent total assets of continuing operations plus the present value of operating leases, minus current liabilities excluding notes payable and the current portion of long-term debt. Return on net assets by segment represents operating earnings plus the interest component of operating leases, divided by net assets at the beginning of the year.

Capital expenditures for department stores exclude amounts related to the acquisitions of Thalhimers in 1990 and Foley's and Filene's in 1988.

Six Year Summary by Business Segment

(dollars in millions)	1993	1992	1991	1990	1989	1988
Net Retail Sales						
Department stores	\$ 9,054	\$ 8,457	\$7,914	\$7,548	\$7,081	\$6,224
Payless ShoeSource	1,966	1,788	1,548	1,366	1,228	1,132
Total	\$11,020	\$10,245	\$9,462	\$8,914	\$8,309	\$7,356
Operating Earnings						
Department stores	\$ 1,276	\$ 1,109	\$ 963	\$ 915	\$ 945	\$ 792
Payless ShoeSource	225	214	184	161	144	138
Total	1,501	1,323	1,147	1,076	1,089	930
Corporate expense	(78)	(73)	(67)	(67)	(77)	(85)
Interest expense, net	(245)	(279)	(316)	(280)	(233)	(198)
Sold divisions and real estate	-	7	32	33	20	43
Special and nonrecurring items	-	(187)	-	-	-	-
Earnings from continuing operations before income taxes	\$ 1,178	\$ 791	\$ 796	\$ 762	\$ 799	\$ 690
LIFO Charge (Credit)						
Department stores	\$ 7	\$ 10	\$ 26	\$ 39	\$ (22)	\$ (3)
Operating Earnings as % of Revenues						
Department stores	13.3%	11.8%	10.6%	10.5%	11.4%	10.2%
Payless ShoeSource	11.4	12.0	11.9	11.7	11.7	12.2
Total Assets						
Department stores	\$ 6,822	\$ 6,431	\$6,498	\$6,389	\$5,752	\$5,307
Payless ShoeSource	833	728	678	519	442	400
Corporate and real estate	1,145	1,386	1,552	1,328	1,536	1,825
Total	\$ 8,800	\$ 8,545	\$8,728	\$8,236	\$7,730	\$7,532
Net Assets						
Department stores	\$ 5,738	\$ 5,413	\$5,527	\$5,499	\$4,716	\$4,348
Payless ShoeSource	1,418	1,253	1,069	851	749	664
Corporate and real estate	954	1,069	1,507	1,298	1,170	1,120
Total	\$ 8,110	\$ 7,735	\$8,103	\$7,648	\$6,635	\$6,132
Return on Net Assets						
Department stores	23.9%	20.5%	18.0%	20.0%	22.3%	19.6%
Payless ShoeSource	23.9	26.5	29.0	28.9	28.9	29.3
Total	19.6%	16.7%	16.0%	17.2%	18.0%	17.5%
Capital Expenditures						
Department stores	\$ 545	\$ 280	\$ 361	\$ 450	\$ 427	\$ 275
Payless ShoeSource	140	120	146	82	51	45
Corporate and real estate	15	4	5	16	44	17
Total	\$ 700	\$ 404	\$ 512	\$ 548	\$ 522	\$ 337
Depreciation and Amortization						
Department stores	\$ 255	\$ 258	\$ 250	\$ 231	\$ 208	\$ 187
Payless ShoeSource	67	58	46	40	36	32
Corporate and real estate	26	25	23	23	25	47
Total	\$ 348	\$ 341	\$ 319	\$ 294	\$ 269	\$ 266

Net retail sales for 1989, a 53-week year, are shown above on a 52-week basis for comparability.

See Notes to Six Year Summary by Business Segment on page 28.

Eleven Year Financial Summary

(dollars in millions, except per share)	1993	1992	1991
Net Retail Sales	\$11,020	\$10,245	\$ 9,462
Operations			
Revenues	\$11,529	\$11,150	\$10,615
Cost of sales	7,910	7,691	7,339
Selling, general and administrative expenses	2,196	2,202	2,164
Interest expense, net	245	279	316
Earnings from continuing operations before income taxes	1,178	791*	796
Income taxes	467	188*	281
Net earnings from continuing operations	711	603	515
Net earnings	711	603	515
Depreciation and amortization	348	341	319
Cash flow from operations ¹	1,059	944	834
Net issuances (repayments) of long-term debt ²	(192)	(248)	313
Capital expenditures	700	404	512
Dividends on common stock	223	205	198
Per Share			
Net earnings from continuing operations ³	\$ 2.65	\$ 2.26	\$ 1.93
Net earnings ³	2.65	2.26	1.93
Dividends paid	.90	.83	.81
Annual dividend rate at year-end	.92	.83	.81
Book value	14.65	12.82	11.26
Market price - high	46.50	37.25	30.19
- low	33.44	26.00	22.63
- average of high and low	39.97	31.63	26.41
Financial Position			
Customer accounts receivable	\$ 2,368	\$ 2,373	\$ 2,377
Merchandise inventories	2,020	1,791	1,741
Working capital	2,908	2,679	3,052
Property and equipment, net	3,411	3,158	3,151
Long-term debt, preferred and preference stock	3,204	3,270	4,315
Shareowners' equity	3,639	3,181	2,781
Total assets	8,800	8,545	8,728
Statistics			
Percent of revenues:			
Net earnings from continuing operations	6.2%	5.4%	4.9%
Cash flow from operations ¹	9.2	8.5	7.9
Return on equity	22.1	21.5	20.7
Return on net assets	19.6	16.7**	16.0
Stores Open at Year-End			
Department stores	301	303	318
Payless ShoeSource	3,779	3,563	3,295
Average Shares Outstanding and Equivalents			
Primary	249.9	248.8	248.0
Fully Diluted	265.5	265.3	264.2

All years included 52 weeks, except 1989 and 1984 which included 53 weeks.

* Pretax earnings include a net charge of \$187 million from special and nonrecurring items, and income taxes include a tax benefit of \$187 million from special and nonrecurring items.

** Based on pretax earnings before special and nonrecurring items.

¹ Cash flow from operations represents net earnings and depreciation/amortization from continuing operations and is different than cash flow from operating activities as shown on the Statement of Cash Flows.

² Net issuances (repayments) of long-term debt exclude the elimination of \$618 million of MCAC loans in 1992 and \$400 million of guaranteed ESOP debt in 1989.

³ Represents fully diluted basis. Primary earnings per share were \$.12 higher in 1993, \$.09 higher in 1992, \$.08 higher in 1991, \$.07 higher in 1990, \$.05 higher in 1989 and \$.01 higher in each of 1988 and 1986.

1990	1989	1988	1987	1986	1985	1984	1983
\$ 8,914	\$8,397	\$7,356	\$5,833	\$5,293	\$4,672	\$4,289	\$3,882
\$10,066	\$9,602	\$8,874	\$7,480	\$7,437	\$6,825	\$6,361	\$5,815
6,978	6,581	6,098	5,186	5,202	4,775	4,399	4,033
2,046	1,989	1,888	1,563	1,572	1,436	1,363	1,240
280	233	198	80	92	91	88	81
762	799	690	651	571	523	511	461
262	284	242	258	238	237	234	210
500	515	448	393	333	286	277	251
500	498	534	444	381	347	327	297
294	269	266	212	209	181	160	151
794	784	714	605	542	467	437	402
590	169	891	(61)	159	141	(141)	(230)
548	522	337	424	435	400	266	198
191	186	184	170	131	124	106	89
\$ 1.87	\$ 1.82	\$ 1.52	\$ 1.28	\$ 1.05	\$.91	\$.90	\$.82
1.87	1.76	1.81	1.44	1.20	1.11	1.06	.97
.77	.69	.62	.56	.51	.46	.39	.33
.79	.71	.64	.57	.52	.47	.43	.33
10.04	9.32	10.75	9.13	8.50	7.86	7.25	6.61
29.56	26.31	20.00	25.44	22.06	16.25	12.09	10.50
18.69	17.31	14.38	11.13	15.94	10.50	7.52	7.42
24.13	21.81	17.19	18.28	19.00	13.38	9.81	8.96
\$ 2,456	\$2,223	\$2,099	\$1,590	\$1,516	\$1,578	\$1,514	\$1,379
1,628	1,491	1,318	1,044	999	1,035	933	787
2,635	2,059	2,094	1,821	1,921	1,529	1,354	1,338
2,985	2,666	2,506	2,037	1,917	1,846	1,496	1,389
3,965	3,406	2,404	1,111	1,153	1,071	778	915
2,467	2,319	3,050	2,723	2,595	2,421	2,233	2,041
8,236	7,730	7,532	5,652	5,756	5,221	4,599	4,320
5.0%	5.4%	5.1%	5.3%	4.5%	4.2%	4.4%	4.3%
7.9	8.2	8.1	8.1	7.3	6.8	6.9	6.9
21.8	18.0	18.6	17.0	15.7	15.5	16.1	17.0
17.2	18.0	17.5	17.4	17.7	18.8	18.9	18.3
324	288	297	258	286	301	303	300
2,967	2,746	2,602	2,436	2,210	1,867	1,662	1,389
249.0	267.2	294.8	306.3	313.1	311.1	310.8	307.9
264.8	280.0	295.4	306.3	314.9	312.0	311.6	308.5

Management's Responsibility and Report of Independent Public Accountants

Report of Management. Management is responsible for the preparation, integrity and objectivity of the financial information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis. The financial statements include amounts based on certain estimates and judgments of currently available information and management's view of current conditions and circumstances. Management uses the services of specialists within and outside the company in making such estimates and judgments.

Management has established and maintains a system of accounting and controls to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting records provide a reliable basis for the preparation of financial statements and to ensure that such financial statements are not misstated due to material fraud or error. The system of controls includes the careful selection of associates, a division of responsibilities and the communication and application of formal policies and procedures that are consistent with high standards of accounting and administrative practices. An important element of this system is a comprehensive internal audit program. Management continually reviews, modifies and improves its systems of accounting and controls in response to changes in business conditions and operations and to recommendations in the reports prepared by the independent public accountants and internal auditors.

Management believes that it is essential for the company to conduct its business affairs in accordance with the highest ethical standards and in conformity with the law. This standard is described in the company's policies on business conduct which are publicized throughout the company.

Audit Committee of the Board of Directors.

The Board of Directors, through the activities of its Audit Committee, participates in the reporting of financial information by the company. The committee meets regularly with management, the internal auditors and representatives of the company's independent public accountants. The committee met four times during 1993 and reviewed the scope, timing and fees for the annual audit and the results of audit examinations completed by the internal auditors and independent public accountants, including the recommendations to improve certain internal controls and the follow-up reports prepared by management. Representatives of the independent public accountants and the internal auditors have free access to the committee and the Board of Directors and attend each meeting of the committee.

The members of the Audit Committee are Russell E. Palmer (chairman), Edward H. Meyer, Michael R. Quinlan, William P. Stiritz, Robert D. Storey and Murray L. Weidenbaum.

The Audit Committee reports the results of its activities to the full Board of Directors.

Report of Independent Public Accountants.

To the Board of Directors and Shareowners of The May Department Stores Company:

We have audited the accompanying consolidated balance sheet of The May Department Stores Company (a New York corporation) and subsidiaries as of January 29, 1994, and January 30, 1993, and the related consolidated statements of earnings, shareowners' equity and cash flows for each of the three fiscal years in the period ended January 29, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The May Department Stores Company and subsidiaries as of January 29, 1994, and January 30, 1993, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 29, 1994, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.
1010 Market Street
St. Louis, Missouri 63101-2089

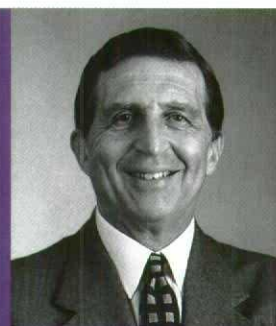
February 21, 1994

Board of Directors



(left)
Andrall E. Pearson ^{2,3,4*}
Retired President and
Chief Operating Officer of
PepsiCo, Inc.

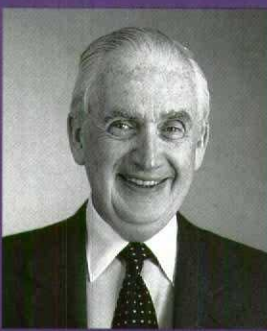
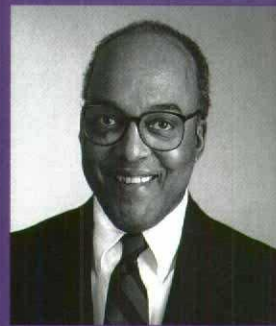
Helene L. Kaplan ^{3,4,5}
Of Counsel, Skadden, Arps, Slate,
Meagher & Flom



(left)
David C. Farrell ^{2*}
Chairman of the Board and
Chief Executive Officer

William P. Stiritz ^{1,2,4,5*}
Chairman of the Board and
Chief Executive Officer of
Ralston Purina Company

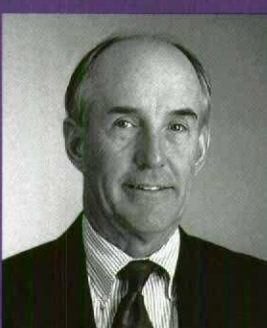
Richard L. Battram
Vice Chairman



(left)
Edward E. Whitacre, Jr. ^{3,4,5}
Chairman and
Chief Executive Officer of
Southwestern Bell Corporation

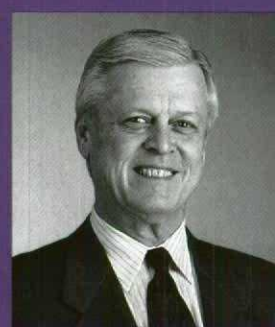
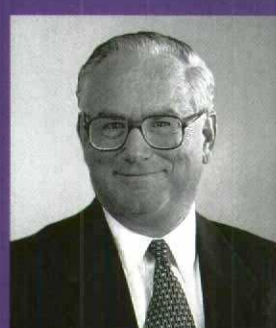
Thomas A. Hays ^{2,4}
Deputy Chairman

Michael R. Quinlan ^{1,4}
Chairman and
Chief Executive Officer of
McDonald's Corporation



(below)
Russell E. Palmer ^{1*,2,3}
Chairman and
Chief Executive Officer of
The Palmer Group

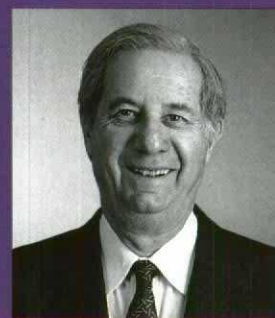
Murray L. Weidenbaum ^{1,4}
Director of the Center for the Study
of American Business and
Mallinckrodt Distinguished University
Professor at Washington University



(above)
Edward H. Meyer ^{1,2,3*}
Chairman of the Board,
President and
Chief Executive Officer of
Grey Advertising Inc.

Robert D. Storey ^{1,5}
Partner in Thompson,
Hine & Flory

Jerome T. Loeb ⁴
President and
Chief Financial Officer



- 1 Audit Committee
- 2 Executive Committee
- 3 Executive Compensation and
Development Committee
- 4 Finance Committee
- 5 Nominating Committee
- * Committee Chairman

Company Management

Lord & Taylor, New York City
Marshall Hilsberg, Chairman and
Chief Executive Officer
Ronald F. Tanler, President

Foley's, Houston
Heywood L. Wilansky, President
and Chief Executive Officer
Donald R. Andrus, Chairman

Robinsons-May, Los Angeles
David P. Mullen, President and
Chief Executive Officer
Kenneth L. Wilkerson, Chairman

Hecht's, Washington, D.C.
Irwin Zazulia, President and
Chief Executive Officer
Thomas D. Fingleton, Chairman

Kaufmann's, Pittsburgh
William T. Tobin, President and
Chief Executive Officer
Clarence O. Reynolds, Chairman

Filene's, Boston
Eugene S. Kahn, President and
Chief Executive Officer
Joseph M. Melvin, Chairman

Famous-Barr, St. Louis
Thomas J. Hogan, President and
Chief Executive Officer
James A. Hageman, Chairman

Meier & Frank, Portland, Ore.
Judith K. Hofer, President and
Chief Executive Officer
J. William Blanford, Chairman

Payless ShoeSource, Topeka
Dale W. Hilpert, Chairman and
Chief Executive Officer
Maxine Clark, President

May Merchandising Company
Anthony J. Torcasio, President
and Chief Executive Officer
John L. Dunham, Chairman

**May Department Stores
International**
Martin Bloom, President

**May Design and
Construction Company**
Richard Tao, President
Thomas M. Rauch, Jr., Chairman

Corporate Management

David C. Farrell
Chairman of the Board and
Chief Executive Officer

Thomas A. Hays
Deputy Chairman

Jerome T. Loeb
President and
Chief Financial Officer

Richard L. Battram
Vice Chairman

Executive Vice Presidents
Louis J. Garr, Jr.
General Counsel

R. Dean Wolfe
Real Estate

Senior Vice Presidents
John F. Danahy
Data Processing

William D. Edkins
Strategic Planning

Douglas J. Giles
Human Resources

James F. Harner
Customer Service and Operations

Lonny J. Jay
Planning and Reporting

Jan R. Kniffen
Treasurer

J. Kent McHose
Division Services

Vice Presidents
James Abrams
Corporate Communications

Donald N. Baxter
Compensation and Benefits

Richard A. Brickson
Secretary and Senior Counsel

Martin M. Doerr
Taxes

William M. Goddard
Risk Management and Insurance

Robert L. Grimm
Executive Development

Andrew T. Hall
Accounting and Reporting

Laurence M. Hellman
Merchandise and Consumer
Research

Stephen J. Hinderberger
Planning and Analysis

Mary Ann Janssen
Capital Planning and Analysis

Mary F. Morgan
Assistant to the Vice Chairman

Timothy W. Plunkett
Executive Recruiting

Joel G. Rebmann
Credit

Barry S. Silver
Audit

Kenard E. Smith
Area Research

Henry A. Wagner
EDP Systems Development

Frank J. Williams, Jr.
Public Affairs and Senior Counsel

Shareowner Information

Corporate Headquarters

The May Department Stores Company
611 Olive Street *
St. Louis, Mo. 63101-1799
(314) 342-6300

1994 Annual Meeting

The Annual Meeting of Shareowners will be held at 10 a.m., Friday, May 20, at the Cervantes Convention Center, Washington at Eighth Street, St. Louis, Mo.

Information Requests

Copies of the company's annual report to shareowners, the Form 10-K annual report to the Securities and Exchange Commission, and the Form 10-Q quarterly reports to the SEC are available free of charge to shareowners upon request to:

Corporate Communications
The May Department Stores Company
611 Olive Street
St. Louis, Mo. 63101-1799

A summary of charitable contributions made by The May Department Stores Company Foundation is available upon request to the address listed above.

Common Stock

Shares of The May Department Stores Company common stock are listed and traded on the New York Stock Exchange (trading symbol MA). The stock is quoted as "MayDS" in daily newspapers.

Shareowner Inquiries

For assistance concerning dividend payments and shareowner records, including change of address, please contact our transfer agent and registrar:

The Bank of New York
P.O. Box 11258
Church Street Station
New York, N.Y. 10286-1258
(800) 524-4458

Security analysts, investment professionals and shareowners may direct their inquiries to:

Mr. Jan R. Kniffen
Senior Vice President and Treasurer
The May Department Stores Company
611 Olive Street
St. Louis, Mo. 63101-1799
(314) 342-6413

Dividend Reinvestment

Dividends on May common stock may be reinvested economically and conveniently through participation in the Dividend Reinvestment Plan. Participating shareowners may also make optional cash purchases of May common stock. Additional information may be obtained from the plan administrator:

The Bank of New York
P.O. Box 11260
Church Street Station
New York, N.Y. 10277-1260
(800) 524-4458

